FRANCE AND BRAZIL MOVE ON TO SEMIFINALS

WORLD CUP 1998

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TODAY: MONEY R&D Page 15

Clinton Ends Visit by Praising Jiang

He Cites Chinese Leader's 'Good Imagination' About Reform

By John F. Harris
Washington Post Service

HONG KONG — President Bill Clinton ended his trip to China on Friday with a flattering assessment of President Jiang Zemin, praising the Chinese leader as a visionary who is slowly nudging a repressive regime down the path to greater freedom.

Hours before an exhausted presidential delegation slumped onto Air Force One after a frenetic nine-day tour, Mr. Clinton gave a remarkable parting gift at a news conference to the man who was his host earlier at a Beijing summit meeting.

Mr. Clinton's words were at once an explicit endorsement of Mr. Jiang's leadership abilities, and a tacit acknowledgment of how much hope the Clinton administration is investing in his supposed goodwill to determine the success of U.S.-China relations.

Calling his counterpart "a man of extraordinary intellect" and "very high energy," Mr. Clinton said that Mr. Jiang's most important asset was a "quality that is profoundly important at this moment in our history when there's so much change going on: He has a good imagination."

"He can imagine a future that is different from the present," Mr. Clinton continued, citing "the potential we have for a strategic partnership."

While a debate is under way among China specialists here and in the United States about Mr. Jiang's ability and motives, Mr. Clinton said that during his visit he had arrived at a generous conclusion about the 71-year-old Communist ruler and his long-term designs.

Far from being the plodding "transitional figure" many critics thought, Mr. Jiang is a commanding figure likely to remain in power for "a sustained period," Mr. Clinton said. And far from being the cautious former engineer who always goes by the book, Mr. Clinton said, Mr. Jiang showed confidence and flexibility by extending the U.S. president access to the Chinese people several times.

"I think it was a personal expression of confidence in the goodwill that we have established," said Mr. Clinton, who used the forums to condemn the massacres near Tiananmen Square in 1989 and to argue that China will enjoy greater prosperity if it expands individu-

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Rick Wilking/Reuters

President Clinton smiling during his final press conference in China.

Clinton's Trip Gave a Boost To China's Image in U.S.

By Erik Eckholm
New York Times Service

BEIJING — The Chinese, from the top leaders to the man in the street, were elated with the nine-day visit by an American president who struck many here as vibrant and empathetic.

No matter that President Bill Clinton lectured China, gently but firmly, about the merits of freedom, called the bloody 1989 crackdown on student demonstrators wrong and praised the Dalai Lama, who is usually portrayed here as a villain. He seemed to come as a respectful friend.

President Jiang Zemin's startling, self-confident decision to allow Mr. Clinton to speak on live television only added to the sense of excitement.

NEWS ANALYSIS

"In the view of most people here this signals a new acceptance of China after 1989," said Zhang Xiaojin, an international relations expert at People's University.

The White House — facing mounting complaints at home that it is coddling the Chinese at the expense of American values and interests — and the Chinese — who want American trade, investment, technology and respect — had congruent interests in this state visit. That was to improve China's image in the United States, showing its diversity and social changes and growing freedoms in the personal realm.

In that, the visit appears to have been a success. And it was Mr. Jiang's insight to recognize that a major concession, such as the televising of the Jiang-Clinton news conference and Mr. Clinton's Beijing University speech, was needed to make it so.

"This prevented Clinton from coming back with egg on his face," said Roderick MacFarquhar, a China expert at Harvard University.

The visit has certainly bolstered the top status here of Mr. Jiang.

Equally important, it gives a boost to the many other pragmatic officials, from Prime Minister Zhu Rongji on down, who believe the success of their transition to an advanced, market-oriented economy depends on better ties with the undisputed economic and polit-

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Final Shot Ends Italians' Chances

Gabriel Bouys/Agence France-Presse

David Trezeguet being acclaimed Friday by the French goalkeeper, Fabien Barthez (16), and Zinedine Zidane after penalty shoot-out.

By Christopher Clarey
International Herald Tribune

SAINT-DENIS, France — Luigi Di Biagio's penalty kick ricocheted off the crossbar on Friday, and as the Italian midfielder fell backward with an anguished expression on his face, the French players rushed forward to share their relief with Fabien Barthez, their goalkeeper.

After 120 minutes of sophisticated defensive soccer, a handful of legitimate opportunities and no goals, this

Brazil beats Denmark, 3-2, Page 23

fratricidal World Cup quarterfinal between the host nation and the nation where many French stars earn fine livings in lira had come down to this.

"I'm exhausted," said the French coach, Aime Jacquet, after his team beat Italy by 4-3 on penalty kicks.

But only Coach Cesare Maldini's Italian team can rest. The French will play again Wednesday in the semifinals in the Stade de France. They will face the winner of the match Saturday between Germany and Croatia.

The Italians must face the fact that for a second consecutive World Cup, they lost on penalty kicks. In the 1994 final against Brazil, Roberto Baggio was the last Italian to shoot and sent the ball flying over the crossbar.

Luigi Di Biagio, who has been one of the Squadra Azzurra's finest performers in France, came closer to his target, but the result was the same.

Di Biagio was not the only player to miss on Friday. The French defender

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Threat of Conflict On Cyprus Recedes

Russia to Delay Missile Delivery

By Joseph Fitchett
International Herald Tribune

PARIS — The threat of an armed confrontation between Turkey and Greece over Cyprus eased Friday, apparently as a result of intense pressure from Washington and other NATO capitals, including a U.S. promise to sell a dozen warships to the Greek and Turkish navies.

In what diplomats saw as an initial sign of progress, Russian officials said that Moscow had decided to delay delivery of long-range air-defense missiles to the Greek part of Cyprus until late this fall.

In a $425 million deal last year, Russia agreed to deliver the S-300 launchers and missiles, together with long-range guidance radars, which could have been operational on the politically divided island late this summer.

At the same time, the Clinton administration notified Congress this week of plans to deliver 14 frigates to Turkey and 11 frigates to Greece over the next two years in a package of sales and giveaways worth approximately $250 million.

The missile delivery delay was announced in Turkey by Ambassador Vadim Kuznetsov of Russia. Further details were not immediately available, but NATO officials said Friday that the slippage in the initial schedule almost certainly signified the first results of intense efforts by Washington and allied European capitals to persuade Moscow to halt the sale — or else help find a way of preventing the missiles from winding up on Cyprus.

"This seems to provide more bargaining time for a way out," a European diplomat said in Brussels.

Officials said that the Kremlin appeared determined to make the weapons sale, both for the revenue and to help revive flagging exports of Russian armaments.

But NATO leaders, including General Wesley Clark, the U.S. officer who commands allied forces in Europe, have said that they view the S-300 surface-to-air missiles as a flashpoint for conflict in the eastern Mediterranean.

He and other NATO commanders have been warning their governments that the Turkish armed forces would launch airstrikes to knock out any Greek Cypriot facilities at which the missiles became operational — a development that could lead to war between Turkey and Greece, both members of NATO.

The risk for the alliance also stems from the probability that the missiles would bring Russian technicians to Cyprus to operate the system.

"They could use its long-range detection capabilities to track every aircraft in allied airspace in southern Europe," according to a top NATO commander.

The Greek Cypriot armed forces, whose anti-aircraft weapons currently consist of fewer than 100 shoulder-fired missiles, would need to train for several years to master the S-300 without Russian advisers, he said.

One much-discussed solution would involve persuading the Athens government to install the missiles in Greece instead of on Cyprus. The Greek armed forces, which are integrated into NATO, could run the missiles without Russian help.

If a compromise of this sort proved possible, the systems and their radars could then become part of a larger pattern of measures being discussed to im-

See CYPRUS, Page 10

Iran Marks a U.S. 'Crime'

10th Anniversary of Airliner Shoot-Down

By Elaine Sciolino
New York Times Service

ABOARD THE HORMUZ II IN THE GULF — Friday was a day to demonize America.

Ten years ago Friday, just before Iran's long war with Iraq ended, an American naval cruiser shot down an Iran Air civilian airliner as it flew over the Gulf, killing all 290 people on board.

At the time, President Ronald Reagan expressed "deep regret" for what he called a "terrible human tragedy" and the United States eventually compensated the families of the victims as well as the Iranian government for the loss its plane.

But for the Iranians, the shoot-down still represents one of the most heinous entries on their list of American "crimes" against their country in the last 50 years, one that became even more monstrous in their eyes after the U.S. Navy decorated instead of punished two of the vessel's commanders eight years ago.

So, Iranian authorities invited relatives of the victims and members of the media to mark the anniversary, flying them to the port of Bandar Abbas in a chartered Iran Air Boeing 707 and ferrying them to the point 40 kilometers (25 miles) into the Gulf where the plane hit the water.

"This was an act of state terrorism," said Mahdi Chamran, the deputy cultural events director for Iran's armed forces, in a speech as the slow-moving ferry made its way to its destination. He added, "This was not an accident. If it had been an accident, they would have treated the commanders differently. They wouldn't have given medals to people who had caused such an accident."

Mr. Chamran said that no amount of money would ever compensate the victims' families for their loss, and called on the Clinton administration to apologize. "If the United States wants to break down the wall of mistrust, it is important that the families receive an official apology," Mr. Chamran said.

The day was marked by both spectacle and sadness. At the airport at Bandar Abbas, visitors were shown a grisly display of color photographs of the bodies of some of the 57 children who died in the crash.

Children were dressed in green-and-white-striped T-shirts specially printed for the occasion, that showed the number of men, women and children killed in an exploding plane atop a blackened

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AGENDA

Sampras and Ivanisevic Win to Gain Final at Wimbledon

Pete Sampras defeated Tim Henman in four sets on Friday to move within one victory of his fifth Wimbledon tennis title in six years.

Sampras lost his first set of the tournament but relied on his serve and experience to prevail, 6-3, 4-6, 7-5, 6-3, stopping Henman's bid to become the first British men's finalist in 62 years. Sampras will play Goran Ivanisevic, a two-time runner-up, in the final Sunday.

Ivanisevic squandered two match points in the fourth set on Friday, then outlasted Richard Krajicek, 15-13, in a marathon fifth set.

Krajicek served 23 aces in the fifth set alone, and had 42 for the match.

Now poised to play for his fifth Wimbledon title and 11th Grand Slam crown, Sampras did not bother with any exaggerated celebrations — he knows well that there is more work to be done.

Ivanisevic, by contrast, threw his bandanna, his racket, his towels and anything else he could find into the crowd after finally defeating Krajicek to earn his third shot at the Wimbledon title he has yet to claim.

It will be a repeat of the 1994 final, which Sampras won in straight sets. Page 21.

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The IHT on-line www.int.com

Florida County Evacuated

30,000 More People on Move as Wildfires Rage

Compiled by Our Staff From Dispatches

TITUSVILLE, Florida — Northeast Florida felt like a war zone Friday as wildfires consumed brush and buildings with no hindrance from nature, and thousands of residents emptied towns threatened by the onrushing flames.

Everyone in Flagler County — at least 30,000 people — was ordered to leave as the fires showed no sign of ending their six-week sweep through the region.

"The fire is north, south and west," said a spokesman for Federal Emergency Management Agency in Tallahassee. "A concern is that they will converge and you'll get one big fire."

A smoky haze obscured the sky as far away as Miami, 250 miles to the south.

Residents were advised to head west to the inland city of Palatka. Buses were provided, but the Red Cross recommended that people take their own cars. About 40,000 residents of Volusia and Brevard counties already had been forced out of their homes after windswept embers spread fires that had been consuming rural areas, state emergency management officials said.

Dozens of businesses and homes have been destroyed or damaged, and the fires kept a 140-mile stretch of Interstate 95 closed from Titusville in Brevard County to Jacksonville near the Georgia border.

The Pepsi 400 stock car race at the Daytona International Speedway, scheduled for Saturday, was postponed. It had been estimated that 200,000 spectators would attend the race.

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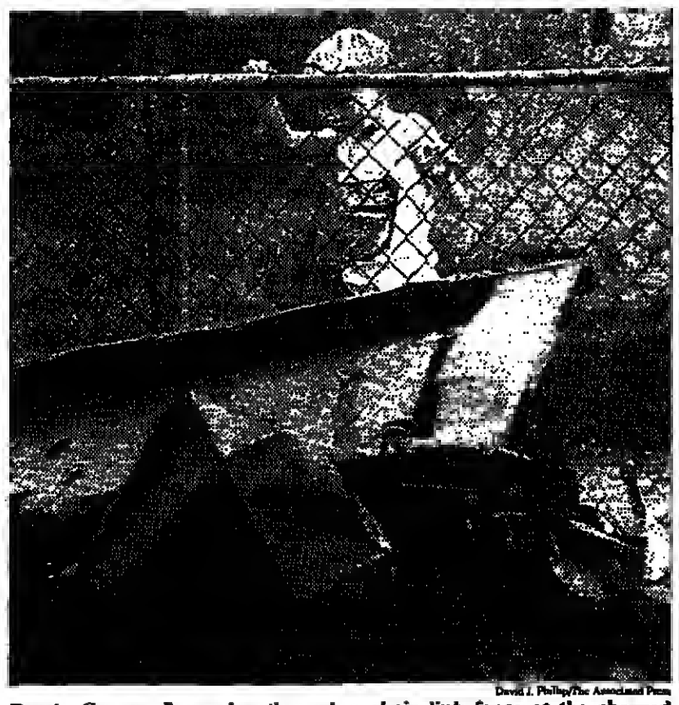

David J. Phillip/The Associated Press

Dustin Carver, 5, peering through a chain-link fence at the charred rubble of his neighbor's home Friday in Scottsmore, Florida.

From Nigeria, Good News

Any Move for Democracy Could Inspire Africa

By R.W. Apple Jr.
New York Times Service

WASHINGTON — For the Western governments that have watched with dismay for the last three decades as much of Africa suffered through chaos and bankruptcy, the news from Nigeria is the most gratifying from that continent since the establishment of a multiracial government in South Africa under Nelson Mandela.

If Nigeria could take even a few steps along the path toward democracy, as implied by the reported pledge of its new military government to release all political prisoners, it could encourage other African governments to follow.

It might enable Nigeria itself, a country with real possibilities, to begin a comeback from decades of corruption, dictatorship, ethnic tension and war.

And it would ease the fears of other West African leaders that political unrest and economic deprivation would spill into their countries.

When President Bill Clinton and an entourage of more than 800 swept through Africa this spring, they flew over Nigeria twice but never landed.

That pained the administration's Africa experts, from Assistant Secretary of State Susan Rice on down. Nigeria counts. It is the most important country in sub-Saharan Africa, with the possible exception of South Africa.

It is big — about the size of France and Germany combined or more than twice the size of Japan. Its 110 million people make it Africa's most populous nation. It is the fifth-largest supplier of oil to the United States.

NEWS ANALYSIS

But a visit from Mr. Clinton was out of the question, Ms. Rice said at the time.

The government of General Sani Abacha, one of the world's most repressive, annulled democratic elections in 1993, executed nine environmental activists in 1995 and filled jails with its opponents, including Moshood Abiola, the apparent victor in the 1993 vote.

Suspended from the Commonwealth, subjected to sanctions by the United States and others, Nigeria dug in its heels.

Outsiders' leverage ranged from limited to nonexistent, and no early change seemed possible. On a visit to Nigeria,

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هكذا من الأصل

'Bleak' Outlook for Peace as Ulster Protestants Prepare to March

Compiled by Our Staff From Dispatches

DUBLIN — Prime Minister Bertie Ahern said Friday he could not see a resolution to a standoff between Protestant marchers and Roman Catholic residents in Northern Ireland.

"My assessment, I have to say, is still bleak," he told Parliament.

The impasse centers on a banned Protestant march, one of many that take place at this time of the year to celebrate the community's British identity and mark a 17th-century victory by a Protestant king over a Catholic monarch.

The parade issue in Portadown, southwest of Belfast, stoked temperatures further in the British province after members of the Protestant Orange Order threatened to defy the ban and go through the mainly Catholic Garvaghy Road area this weekend.

Catholics see the marches as intimidation, and they have sparked riots in previous years.

Tension in Northern Ireland has also been heightened by a spate of church burnings only days after the first meeting of the new Northern Ireland Assembly.

On Wednesday night, 10 Catholic churches were set ablaze — three were devastated — and overnight Thursday a Catholic primary school and three buildings with links to Protestant institutions were damaged by fire.

Both Mr. Ahern and Prime Minister Tony Blair of Britain have appealed for calm and have urged the sectarian rivals to compromise.

President Bill Clinton also urged the people of Northern Ireland on Friday not to let the dispute over the march get in the way of the wider goal of peace. The U.S. president, at a news conference concluding a nine-day visit to China, said it would be "tragic indeed if either side felt so aggrieved by the ultimate resolution of the marching issue that they lost the bigger picture in the moment. I think that is something that must not happen."

The president had talked by phone on Thursday to the rival Northern Irish political leaders David Trimble and Seamus Mallon about what the United States could do to help diffuse the tension.

The president said he was particularly distressed by the church burnings, noting that there had been such burnings in the United States in the last few years.

"I would just plead to whoever was responsible for this for whatever reason, you need to take the churches off the list, and you need to take violence off the list," he said.

Mr. Clinton said he planned to stay in daily contact with the parties.

In Bangor, a predominantly Protestant seaside town east of Belfast, a gunman shot and killed a man in his 40s as be walked out his front door in Kilcooley, the town's most hard-line Protestant neighborhood.

The police said both the gunmen and victim were most likely Protestant and apparently were not directly related to the sectarian showdown looming in Portadown.

Kilcooley has suffered from feuding among Northern Ireland's several pro-British paramilitary factions, which operate rival criminal rackets.

The Orange Order's annual parade in Portadown this Sunday follows a route from the rural Drumcree Anglican Church past Catholic homes along the Garvaghy Road.

Anti-Orange protesters there have sat down on the road for the past three summers, forcing the authorities to decide whose rights should prevail. The confrontation has triggered violence each year.

The Portadown Orangemen have triumphed over the protesters each time, marching past hostile Catholics under police and army escort and back into the center of the otherwise Protestant town.

Arsonists also attacked the homes of two isolated Catholic families on Londonderry's predominantly Protestant east side.

Police made no arrests but blamed a Portadown-based paramilitary group, the outlawed Loyalist Volunteer Force.

In apparent retaliation, arsonists torched Altnaveigh Orange Hall outside the predominantly Catholic town of Newry late Thursday, then struck two Protestant church properties on Londonderry's overwhelmingly Catholic west side — St. Peter's Anglican Church and a children's play cabin beside the Ballyarnet Presbyterian Church.

Police arrested a Catholic youth.

"You never think it's going to happen to your own church, your own building," said the Reverend Matthew Moore, pastor of St. Peter's, which had been rebuilt after being burned out during Garvaghy Road-related mayhem in 1996. *(Reuters, AP)*

German Unions Are Wary Of Pro-Business Member In Schroeder's 'Cabinet'

By Edmund L. Andrews
New York Times Service

FRANKFURT — Gerhard Schroeder, the Social Democratic challenger to Chancellor Helmut Kohl in Germany's natiooal elections in September, has gone out of his way to polish his image as a leader who would be good for business.

But when Mr. Schroeder personally introduced members of his potential future cabinet this past week in Berlin, one person was conspicuously absent: the man who would be his economics minister.

And that was oo accident. Jolz Stollmann, a 43-year-old, self-made millionaire who started and receotly sold his own computer-oetworking company, had just left for vacation. Before leaving, Mr. Stollmann had announced that he would oot play a role in the election campaign or be a spokesman for the Social Democrats' economic program.

"I am not a politician and I'm oot participating in the election campaign," Mr. Stollmann said in an interview. "There are others who are more capable."

Less than three months before the vote, Germany's Social Democrats have a strooq chance of beating Mr. Kohl and his center-right Christian Democrats for the first time in 16 years.

But the strains between the party's left-leaning traditionalists and Mr. Schroeder's comparatively pro-busioess wing are also becoming more apparent. Germany's powerful union leaders who hold sway in the party have been infuriated by Mr. Stollmann's nominatioo, accusing him of being hostile to workers. Rank-and-file party members, meanwhile, have been rattled by the elevation of an outsider who plainly comes from a different world.

Mr. Schroeder has borrowed unabashedly from the election strategies of Prime Minister Tony Blair of Britain and President Bill Clinton, packaging himself as a pro-business Social Democrat who could do more than his conservative rivals to stimulate the German economy and reduce sky-high unemployment.

Naming Mr. Stollmann, a political outsider who brought an aura of Silicon Valley-style success, has been his most visible gesture toward business. A graduate of Harvard Business School who worked for a time at the Bostoo Consulting Group, Mr. Stollmann started his own company at the age of 29. Last year, the company, Compunet AG, which provides computer-networking services, had sales of about $1 billion and was recently sold to General Electric Co. of the United States.

Until recently, be had never held any political office and does not belong to a political party. The closest he came to politics was three years ago, when he ran a prominent newspaper campaign to rebut critics who said Germany had become too expensive, lazy and rigid for business.

"A land without a future? Rubbish!" said one ad in bold block letters. "Sleeping government workers? Nonsense!"

Aside from those opinions, Mr. Stollmann is a pragmatist. "The days of ideological battles between left and right are over," he said. "The issue is having the political leadership and the political process that can lead to renewal. I can bring a certain leadership to bring together some of the best minds in the country."

But Mr. Stollmann immediately touched off hostility within the party. By pointedly distancing himself from Social Democratic policies, he aroused suspicions of disloyalty.

As if that were not enough, Mr. Stollmann has been openly skeptical about one of the Social Democrats' core ideas: reducing joblessness through a broad "Alliance for Work" between government, labor and industry. Party officials say political leaders might offer to loosen regulations, and unions would be willing to restrain wage increases in return for more ambitious corporate hiring.

"We do need what Americans might call 'a change coalitioo,'" Mr. Stollmann said. "But that kind of change coalitioo cannot decide how many new jobs are going to be created. We are a market economy, after all."

German union leaders were outraged by what they took to be Mr. Stollmann's dismissive attitude.

"Mr. Stollmann obviously has a lot to learn, when he discredits the Alliance for Work as meaningless," said Franz-Josef Moellenberg, chairman of the food workers' union.

"We hope he learns quickly. If not, he is the wrong man for the job."

Mr. Schroeder has not yet betrayed any coocern. "I expressly wanted him to keep his own mind, because I rely on his independence," he said at a party gathering last Sunday.

Mr. Stollmann acknowledged that he has already run afoul of traditionalists. "The people who don't like these ideas are playing the old-fashioned political game," he said.

"They are trying to spread distrust between me and the Social Democratic Party members, and I need their trust."

Mike Palazzotto/Agence France-Presse

Residents of San Martino, near Palermo, trying to prevent flames fed by strong winds from spreading Friday. About 300 people were evacuated. Temperatures in Sicily soared as high as 48 centigrade.

Heat Wave Kills 10 in South Europe

The Associated Press

ATHENS — Scorching North African winds swept over Greece and Italy on Friday, pushing temperatures as high as 45 degrees centigrade and killing at least 10 people.

Temperatures were not expected to drop until late Sunday and hospitals in both countries were placed on full alert to deal with the blistering heat wave.

Normal seasonal temperatures hover around 33 degrees centigrade (91 Fahrenheit) in the region.

"Hot air masses in the lower atmosphere from North Africa are at their maximum transfer rate," said Nikos Kanderes, a Greek meteorologist. "The first strong heat wave of the year will be history on Sunday."

A combination of high temperatures and little wind pushed air-pollution levels in the Athens basin to the highest point in two years, sending hundreds of people to hospitals suffering from heatstroke and exhaustion. At least four deaths in Greece were attributed to the weather.

Temperatures in Athens climbed as high as 44 degrees centigrade.

In Italy, at least six deaths were attributed to the heat, news reports said.

BRIEFLY

2 Make Confessions In German Trial

FRANKFURT AN DER ODER, Germany — The trial of five men for a 1992 arson attack on a refugee home in Eastern Germany neared an end Friday following the surprise confession of two defendants.

Marco Schmidt, 25, admitted he had helped put together a Molotov cocktail, and his stepfather, Hans-Juergen Schmidt, 49, admitted he knew what his stepson was doing but did nothing about it. He also said he told those carrying out the arson where to find the house in Dolgenbrodt, a lakeside resort village southeast of Berlin.

The two had previously denied any role in the fire, on Nov. 1, 1992, which destroyed the newly constructed refugee home the night before 86 Africans were to move in. *(AP)*

Yeltsin Supports Nuclear Arsenal

MOSCOW — President Boris Yeltsin said Friday that Russia's nuclear arsenal was the backbone of national security and supported a series of measures aimed at maintaining and developing it, the Kremlin spokesman said.

Sergei Yastrzhembsky told reporters Mr. Yeltsin had also confirmed that Russia's strategic nuclear forces were safe and under full control. "The president stressed that nuclear deterrence remains a basic element of Russia's national security," Mr. Yastrzhembsky said. *(Reuters)*

Pope Will Beatify Croatian Cardinal

VATICAN CITY — The Vatican declared Croatia's World War II cardinal a martyr for the faith, paving the way for his beatification during a visit by Pope John Paul II in October.

The Pope signed the decree Friday for Cardinal Alojzije Stepinac, who was a hero to Catholic Croats for his resistance to communism but was accused by Serbs of sympathizing with the Nazis.

After the war, Yugoslavia's Communist government sentenced him for collaboration. He died while under house arrest in 1962. *(AP)*

For the Record

Alexander Wingfield, a bodyguard to Diana who tried to lure journalists away just before she was killed in a Paris road crash, testified on Friday before French magistrates. *(Reuters)*

TRAVEL UPDATE

Computers Keep Balking At Kuala Lumpur Airport

KUALA LUMPUR (Reuters) — Volunteers sorted baggage by hand Friday at Malaysia's high-tech, $2.25 billion new airport, as computers failed for the fourth day in a row.

Airlines suffered more flight delays because of the computer trouble at Kuala Lumpur International Airport, passengers said, although officials said there were fewer delays Friday.

Baggage retrieval remained the biggest headache, with many pieces of loggage reported missing, officials said. Check-in details were being taken down by hand.

U.S. Orders 737 Checks

WASHINGTON (Reuters) — The Federal Aviation Administration on Thursday ordered U.S. airlines flying the newest Boeing 737 aircraft to check immediately for a problem that shut down two engines over Europe.

The urgent airworthiness directive to inspect engine gearboxes for a faulty shaft affects 23 U.S.-registered Boeing 737-700s and 737-800s.

The aviation agency said there had been two in-flight engine shutdowns on June 26, involving a Transaero Airlines plane in Russia and a Braathens Airlines flight in Norway.

There were oo injuries in either incident, and the twin-engine 737 is designed to be able to fly on one engine. Although the engine-maker, CFM International, had previously advised airlines of the problem with the gear box in service bulletins, the agency decided to order swift action after the two European incidents.

Archeologists will replace the marble lions of Delos, one of the holiest sites of ancient Greece, with copies to prevent the 2,600-year-old statues on the small Aegean island from suffering further damage from the elements. The seven statues will be moved to a museum on the island, government archaeologists said. *(AP)*

U.K.'s Bass Recalls Contaminated Beer

Reuters

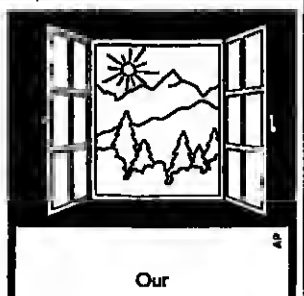
LONDON — Bass Brewers on Friday recalled millions of cans and bottles of beer contaminated with chemical coolant following a fault at one of its plants.

The news sent supermarkets scrambling to clear shelves and check stocks while shares in the company fell to 1,135 pence in London from 1,147 pence Thursday.

Most dealers agreed the long-term impact on the stock of what one described as a "glitch" would be limited.

Bass Brewers said it had recalled around half its weekly production of 17 million cans as a precautionary measure after some of the drinks became contaminated with the coolant, mono-propylene-glycol.

Only a small number are expected to be affected by the coolant, which gives the beer or lager an unpleasant taste.



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THE WORLD'S DAILY NEWSPAPER

WEATHER

Europe

	Today High C/F	Today Low W C/F	Tomorrow High C/F	Tomorrow Low W C/F
Algarve	28/82	17/62 s	27/80	19/66 s
Amsterdam	18/64	14/57 sh	22/71	14/57 c
Ankara	36/97	15/59 s	34/93	13/55 t
Athens	41/106	26/79 s	31/88	23/73 s
Barcelona	23/73	18/61 s	26/79	21/70 s
Belgrade	26/79	14/57 sh	28/82	17/62 pc
Berlin	17/62	14/57 r	22/71	16/61 c
Brussels	19/66	15/59 sh	23/73	16/61 pc
Budapest	26/79	16/61 c	24/75	18/64 c
Copenhagen	19/66	13/55 c	20/68	12/53 c
Costa Del Sol	30/86	18/64 s	29/84	21/70 s
Dublin	21/70	14/57 c	22/71	13/55 pc
Edinburgh	21/70	12/53 sh	19/66	9/48 pc
Florence	28/82	17/62 pc	31/88	21/70 pc
Frankfurt	16/61	12/53 t	22/71	14/57 c
Geneva	22/71	11/52 pc	26/79	16/61 pc
Helsinki	22/71	11/52 pc	21/70	11/52 c
Istanbul	36/97	23/73 s	29/84	19/66 t
Kiev	23/73	14/57 pc	22/71	13/55 c
Las Palmas	26/79	18/64 s	26/79	21/70 s
Lisbon	25/77	17/62 s	25/77	17/62 sh
London	23/73	15/59 c	25/77	15/59 c
Madrid	32/89	14/57 s	34/93	18/64 s
Mallorca	28/82	15/59 s	30/86	20/68 s
Milan	29/84	17/62 s	31/88	22/71 pc
Moscow	19/66	14/57 t	24/75	13/55 pc
Munich	19/66	12/53 t	22/71	16/61 c
Nice	26/79	18/64 s	27/80	22/71 s
Oslo	21/70	14/57 sh	21/70	11/52 c
Paris	21/70	12/53 pc	24/75	16/61 pc
Prague	17/62	13/53 t	21/70	15/59 c
Reykjavik	13/55	7/44 t	13/55	10/50 pc
Riga	18/64	9/48 t	21/70	12/53 c
Rome	27/80	16/61 s	29/84	21/70 s
St. Petersburg	25/77	15/59 c	23/73	13/55 pc
Stockholm	19/66	13/55 pc	13/55	12/53 c
Strasbourg	21/70	14/57 sh	26/79	17/62 pc
Tallinn	20/68	11/52 pc	21/70	11/52 pc
Tbilisi	33/91	18/64 s	31/88	19/66 s
Venice	27/80	18/64 s	28/82	22/71 pc
Vienna	24/75	14/57 pc	23/73	18/64 c
Warsaw	21/70	12/53 c	19/66	12/53 c
Zurich	21/70	14/57 pc	24/75	17/62 pc

Middle East

	Today High	Today Low W	Tomorrow High	Tomorrow Low W
Abu Dhabi	42/107	28/82 s	43/109	30/86 t
Beirut	30/86	25/77 s	31/88	23/73 s
Cairo	41/106	24/75 s	40/104	22/71 s
Damascus	36/97	21/70 s	40/104	18/64 s
Jerusalem	32/89	17/62 s	32/89	17/62 s
Luxor	43/109	21/70 s	44/111	23/73 s
Riyadh	43/109	29/84 s	43/109	29/84 s

Forecast for Sunday through Tuesday, as provided by AccuWeather.

North America Sunny and nice in the Northeast Sunday, but a thunderstorm is possible Monday night and Tuesday. Texas and the southern Plains will remain hot with sun, but the Texas coast will be humid with thunderstorms. Thunderstorms are likely from the central and northern Rockies to the Dakotas.

Europe Seasonably cool in London and Paris with some sunshine Sunday to Tuesday. Northern Germany to northern Poland will be quite cool with clouds and a few showers. Mostly sunny and warm to hot from Madrid to Rome and Athens. Seasonably warm in southeastern Europe with thunderstorms.

Asia Warm and humid in Tokyo Sunday to Tuesday, but northern Japan will be seasonably cool with showers. Sunny, hot and dry across Manchuria and northeastern China, including Beijing. Soaking rains are likely in southeastern China from Hong Kong on north. Heavy monsoon rains will soak western India.

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North America

	Today High	Today Low W	Tomorrow High	Tomorrow Low W
Anchorage	17/62	11/52 c	16/61	8/46 pc
Atlanta	32/89	23/73 t	30/86	23/73 pc
Boston	26/79	17/62 pc	26/79	18/64 pc
Chicago	27/80	18/64 pc	28/82	19/66 pc
Dallas	36/97	24/75 pc	36/97	26/79 pc
Denver	34/93	18/64 t	37/98	17/62 s
Detroit	29/84	16/61 pc	26/79	17/62 pc
Honolulu	30/86	23/73 pc	31/88	22/71 pc
Houston	32/89	26/79 t	35/95	26/79 pc
Los Angeles	23/73	17/62 pc	27/80	17/62 s
Miami	33/91	26/79 t	33/91	27/80 t
Minneapolis	26/79	17/62 pc	28/82	19/66 t
Montreal	23/73	12/53 t	20/68	12/53 pc
Nassau	32/89	24/75 c	33/91	26/79 pc
New York	30/86	20/68 t	29/84	19/66 pc
Orlando	36/97	24/75 pc	36/97	24/75 pc
Phoenix	42/107	27/80 s	43/109	27/80 s
San Fran.	18/64	11/52 c	22/71	14/57 pc
Seattle	21/70	14/57 c	24/75	14/57 pc
Toronto	24/75	11/52 sh	26/79	12/53 pc
Vancouver	21/70	16/61 sh	26/79	15/59 pc
Washington	32/89	21/70 t	30/86	20/68 pc

Legend: s-sunny, pc-partly cloudy, c-cloudy, sh-showers, t-thunderstorms, r-rain, sf-snow flurries, sn-snow, i-ice, W-Weather.

Asia

	Today High	Today Low W	Tomorrow High	Tomorrow Low W
Almaty	37/98	21/70 s	36/97	24/75 s
Bali	29/84	23/73 sh	31/88	21/70 c
Bangkok	34/93	27/80 c	34/93	27/80 r
Beijing	36/97	26/79 pc	36/97	28/82 s
Bombay	29/84	27/80 r	29/84	27/80 c
Calcutta	30/86	27/80 r	30/86	27/80 r
Chiang Mai	33/91	24/75 r	31/88	25/77 [illegible]
Colombo	31/88	26/79 pc	30/86	26/79 [illegible]
Hanoi	32/89	27/80 t	33/91	28/82 t
Ho Chi Minh	33/91	25/77 t	34/93	25/77 sh
Hong Kong	29/84	26/79 t	30/86	26/79 [illegible]
Islamabad	39/102	28/82 pc	41/106	26/79 [illegible]
Jakarta	32/89	24/75 sh	32/89	24/75 [illegible]
Karachi	36/97	30/86 pc	36/97	20/68 [illegible]
K. Lumpur	32/89	25/77 t	33/91	24/75 [illegible]
K. Kinabalu	31/88	26/79 r	32/89	24/75 sh
Manila	32/89	23/73 pc	31/88	24/75 [illegible]
New Delhi	41/106	31/88 pc	41/106	31/88 r
Phnom Penh	34/93	25/77 t	33/91	26/79 [illegible]
Phuket	34/93	27/80 c	34/93	27/80 [illegible]
Rangoon	30/86	25/77 t	30/86	26/79 [illegible]
Seoul	30/86	21/70 pc	29/84	22/71 pc
Shanghai	32/89	25/77 sh	29/84	24/75 sh
Singapore	32/89	24/75 t	31/88	23/73 [illegible]
Taipei	33/91	25/77 pc	32/89	24/75 pc
Tokyo	33/91	27/80 pc	31/88	24/75 pc
Vientiane	31/88	24/75 t	31/88	25/77 [illegible]

Africa

	Today High	Today Low W	Tomorrow High	Tomorrow Low W
Algiers	30/86	17/62 s	31/88	22/71 s
Cape Town	11/52	7/44 c	15/59	7/44 pc
Casablanca	26/79	17/62 s	25/77	21/70 s
Harare	27/80	11/52 s	26/79	14/57 s
Lagos	29/84	24/75 pc	29/84	24/75 pc
Nairobi	21/70	12/53 sh	24/75	13/55 pc
Tunis	33/91	18/64 s	32/89	22/71 pc

Latin America

	Today High	Today Low W	Tomorrow High	Tomorrow Low W
Buenos Aires	17/62	11/52 pc	15/59	9/48 pc
Caracas	29/84	22/71 sh	30/86	24/75 pc
Lima	21/70	16/61 s	21/70	18/64 [illegible]
Mexico City	27/80	14/57 pc	25/77	14/57 [illegible]
Rio de Janeiro	25/77	19/66 pc	24/75	18/64 pc
Santiago	17/62	4/39 s	17/62	5/41 pc

Oceania

	Today High	Today Low W	Tomorrow High	Tomorrow Low W
Auckland	12/53	7/44 pc	12/53	7/44 s
Sydney	16/61	14/57 r	22/71	14/57 pc

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Arnett Just a Talking Head in CNN Fiasco

By Howard Kurtz
Washington Post Service

WASHINGTON — The familiar face that viewers saw describing CNN's nerve gas story belonged to Peter Arnett, the Pulitzer Prize-winning correspondent who has reported in war zones from Vietnam to Iraq.

But Mr. Arnett, who was given a stern reprimand for his role in the report, did not interview most of the sources for the broadcast or write the words that would stir a nationwide controversy. As is common on many network magazine shows, he was the front man for conclusions compiled by unseen minions.

"He almost wasn't involved in the reporting and the research," said a CNN executive who asked not to be named. "It was mainly a case of him being flown in to read a script. He basically did what he was told to do."

CNN/USA's president, Rick Kaplan, said: "Peter Arnett's role was not the same as April Oliver," the main producer on the story. "He relied a great deal on the briefing book he was shown."

Floyd Abrams, the attorney who investigated the matter for CNN, did not even bother to interview Mr. Arnett.

Why, then, was he reprimanded? The CNN News Group chairman, Tom Johnson, wanted to send a message that correspondents are responsible for what they read, the network executive said.

The network dismissed Ms. Oliver and a second producer of the report, Jack Smith. Pamela Hill, senior executive producer of the program "NewsStand: CNN & Time," resigned, saying she supported the retraction and now believed that "we were wrong to air the report."

Mr. Johnson issued the retraction based on the findings of a report by Mr. Abrams, who concluded that the broadcast was "not fair" because the journalists "ignored or minimized" information that conflicted with their "deeply held beliefs" that nerve gas was used. Mr. Abrams described the story as "a bad mistake," adding: "There was not sufficient attention paid to the sources who said 'oo.'"

The episode underscores the extent to which television, as a collaborative enterprise, is only as strong as its weakest link. And it shows the temptations facing a new magazine show to separate itself from the crowd with a sensational report. But it also illustrates how determined journalists pursuing a sensitive story can, despite conflicting evidence, convince their bosses that they have the goods.

CNN's retraction of its June 7 report follows a stunning series of media blunders. The Boston Globe newspaper and the New Republic magazine have each apologized for outright fabrications by a member of their staffs. And the Cincinnati Enquirer newspaper has retracted an article about Chiquita Brands and agreed to pay the company more than $10 million after accusing its reporter of stealing Chiquita's voice-mail messages.

But CNN's nerve gas report involved no fabrications or thievery. The two main producers strongly believed, and still believe, that it is true. But the network's top brass has now disavowed it as containing too many weaknesses and contradictions that were not shared with viewers — or with the executives.

The CNN-Time report was hardly rushed on the air; it followed an eight-month investigation. In the highly compartmentalized world of television, the story was pursued not by CNN's Pentagon reporter but by Ms. Oliver, a former "MacNeil/Lehrer NewsHour" producer who joined CNN's "Late Edition" six years ago and later was shifted to its "special assignment" magazine unit.

When it came time to persuade her supervisors to stake CNN's reputation on her research, Ms. Oliver assembled a 150-page briefing book of her interviews and documents. But Mr. Abrams said the volume offered "a rather upbeat and optimistic overview of what the sources were saying."

The briefing book was reviewed by the managers of "NewsStand" but never reached Mr. Johnson and Mr. Kaplan. The two top executives say they never knew that a platoon leader who was a key source for the program had not mentioned the use of nerve gas in a book he wrote 15 years ago.

"We asked a lot of questions and we relied on total assurances and reassurances of people who vetted and produced the story," said Mr. Kaplan. "The things we didn't ask are things we didn't know to ask."

Republicans Lose China Issue

Success of Clinton's Tour, Party Heads Say, Weakens Critics

By Richard L. Berke
New York Times Service

WASHINGTON — Even before President Bill Clinton's return from China, many prominent Republicans concede the trip has been such a political success that it could deprive their party of what might have been a potent election-year issue.

In a series of interviews, Republicans said they still have serious questions about the wisdom of Mr. Clinton's policy approaches toward Beijing. But as a political matter, there seems to be a consensus among Republicans that, at least for now, President Clinton has overcome fears among Democrats that the trip would expose the president to damaging attacks on issues like human rights, exporting satellite technology to China and campaign finance irregularities involving Chinese contributions.

"I think it was a huge success," said Jack Kemp, the 1996 Republican vice presidential nominee, who faults the president for seeming to side with China against Japan. "That presents a problem to those Republicans or conservatives who want to make it an issue. I can't imagine that there's any great political benefit to be derived, because the president handled himself very well."

James Lilley, who was ambassador to China during the Bush administration, put it this way: "Clinton got control of the agenda. He ran it like a campaign. And he made it into a political success story."

Though he thought the president has "swept under the rug" the issue of Chinese military modernization, Mr. Lilley said he has advised Republican congressional leaders to hold their fire and rethink how to handle China as a political issue. "I've counseled them to pull back on this one. Don't hit Clinton at his high point, or it's going to sound like sour grapes."

Weeks ago, the House speaker, Newt Gingrich, called on Mr. Clinton to postpone the trip until the Justice Department determined whether two U.S. companies gave sensitive missile information to Beijing in 1996.

But speaking to reporters in San Antonio on Wednesday, where he was attending a Republican fund raising event, he praised Mr. Clinton. "I think the president did a pretty good job talking on Chinese radio and TV," Mr. Gingrich remarked. "It's less expensive to be friends than to be enemies."

Rich Galen, a phrase-maker for Mr. Gingrich, said, "They set the bar so low for success that the arrival ceremony looked like a limbo dance — and he did better than expectations. You have to say this has been a successful trip for the president."

The governor of Colorado, Roy Romer, who is chairman of the Democratic National Committee, said of the Republicans: "I think they've lost it as an issue. People understand that one-quarter of the world's population is sitting in the middle of that Asian economy. We've got to know them better, and they've got to be partners of ours."

One explanation for Mr. Gingrich's praise is that he has been trying to repair relations with corporate executives who have soured on giving money to Republicans and who have championed intensified trade with China.

The positive notices from Mr. Clinton's trip have already affected Republican legislative strategy. The Senate was expected to vote next week on a package of amendments sponsored by Senator Tim Hutchinson, Republican of Arkansas, that would, among other things, deny travel visas to Chinese officials involved in forced-abortion policies and prohibit new U.S.-backed international loans to China.

But on Thursday, Senate officials said the vote had been put off by at least a week, partly out of concern that the amendments might not win a positive reception in the afterglow of the summit.

Many Republicans and Democrats as well do not expect the relative silence on Mr. Clinton and China to last. Several Republicans said that would depend in part on what polls showed about public reaction to the trip.

Some Republicans may be more willing to speak out against Mr. Clinton after his return home.

POLITICAL NOTES

Tourists posing for photos the Washington memorial to Franklin D. Roosevelt.

FDR Memorial to Add Room With Wheelchair

WASHINGTON — The year-old Franklin Delano Roosevelt Memorial will be expanded to include a fifth outdoor room, which will contain a life-size statue of the former president sitting in a wheelchair, Vice President Al Gore has announced.

Advocacy groups for disabled people were incensed by the absence at the memorial of any portrayals of Roosevelt in his wheelchair, which he used after polio paralyzed him at age 39.

The addition will fulfill a promise made by the White House to defuse demonstrations before the memorial was opened last year.

Mr. Gore, during a ceremony at the memorial, said: "It used to be an afterthought to the life and legacy of the president that he used a wheelchair. But it was through his disease that FDR came to understand, truly understand, what it is to struggle."

The bronze sculpture, costing an estimated $1.5 million, will be created by the California artist Robert Graham and will be paid for by private funds raised over the next two years.

The FDR Memorial consists of a series of outdoor granite rooms representing the four terms of Roosevelt's presidency — from 1933 until his death in 1945. The memorial cost $48 million and took decades to move from concept to completion. It has become one of the most popular tourist destinations in Washington, attracting more than 3 million visitors during its first year.

Last July, President Bill Clinton signed a congressional joint resolution authorizing the additional sculpture, a step that was supported by a majority of Roosevelt's grandchildren.

Critics of the proposal to depict Roosevelt in a wheelchair said the president took extreme measures to hide his disability from the American public. *(WP)*

Gibe at Limbaugh Draws Little Response

WASHINGTON — CNN's Wolf Blitzer recently quoted Newt Gingrich, speaker of the House, as saying, "We have a spectacle in Washington of the president frankly as defendant-in-chief."

President Bill Clinton's counsel, Paul Begala, fired back, "Getting lectures from Newt Gingrich on ethics is like getting lectures on obesity from Rush Limbaugh."

One would have expected Mr. Begala to be deluged with calls from Mr. Limbaugh's talk show fans, coming to the defense of their hero. So Mr. Begala's office was called to get a count.

"One guy called twice," a Begala aide reported. "That's it."

(Al Kamen, Washington Post)

Quote/Unquote

The Reverend Jesse Jackson, urging blacks and Hispanics to work together instead of seeing each other as rivals for jobs and political clout: "The great challenge for America is for blacks and browns and whites to see each other as assets and not threats. We must not be forced to compete for scarcity at a time of surplus." *(AP)*

Away From Politics

• **The death rate for U.S. infants** between four weeks and one year old declined 30 percent from 1980 to 1994. The Centers for Disease Control and Prevention attributed much of the drop to increased awareness of Sudden Infant Death Syndrome, the leading cause of death among children in that age group. *(AP)*

• **Fifty-eight more victims of bacteria-tainted oysters** from Galveston Bay have been identified, bringing the total to 245 cases since June 1, a spokesman for the Texas Department of Health said. *(AP)*

• **Identical twins were sentenced** in Santa Monica, California, to long prison terms after being convicted of rapes they committed and videotaped after giving women Rohypnol, the so-called date-rape drug. George Spitzer, 41, was sentenced to 60 years in prison, while his brother, Stefan, received a term of 37 years and two months. *(Reuters)*

• **The defense has rested its case** in the trial of Mikhail Markhasev, who is accused of killing Ennis Cosby, son of the actor Bill Cosby. The defendant's mother testified that her son was helping her move at the time of the killing, but prosecutors in Santa Monica, California, showed that Vicktoria Markhasev had initially told the police that her son went out at 8 P.M. on Jan. 15 and did not return until the next day. *(AP)*

Order to Cover Viagra Under Medicaid Angers States

By Amy Goldstein
Washington Post Service

WASHINGTON — The federal government has ordered the states to cover Viagra under their Medicaid programs, infuriating many of the nation's governors, who accused U.S. health officials of costing them millions of dollars and ignoring their worries about the male impotence drug.

The unexpected directive, sent in a letter from the Department of Health and Human Services, told states that federal law requires them to pay for the expensive, enormously popular drug through Medicaid, the insurance program for the poor and disabled. Any state Medicaid program that covers prescription medicines, the letter said, must also pay for Viagra.

But states countered that, in issuing its order, the federal government was putting them in the untenable position of covering Viagra for men while virtually none of them cover birth control or infertility treatments for women. And they said federal officials had rushed to condone Viagra just as warnings were beginning to surface that the drug's huge popularity may be causing deaths of some men.

Some state officials said they also feared that if the government insurance program paid for Viagra, it could have the unintended effect of creating a black market for the pills.

"What we know about some of the real danger signs of Viagra really raise serious concerns," said Elaine Ryan, government affairs director for the American Public Welfare Association. To take the step now, without the consultation of the states that would have to bear the burden, was unacceptable, she said.

Based on a survey by the association of several states, she predicted that Viagra would add $100 million to $200 million nationwide to states' Medicaid expenses. At a time when states are working to extend health insurance to more children and elderly and disabled people, they "can't sustain this kind of cost," she said.

Medicaid, the public health insurance program for 36 million poor and disabled Americans, is a shared responsibility of the federal government and states. Nearly 4 million men are in the program.

The federal government pays slightly more than half the bills and decides which basic kind of benefits should be covered. But states are free to decide whether to pay for many additional services, including prescription drugs. In practice, however, every state has chosen to provide coverage for prescriptions.

At least a dozen states had chosen to cover the Viagra, which has the potential not only to overcome impotence but also to improve healthy men's sexual performance. An equal number of states had decided not to cover Viagra, while others were awaiting instructions from the federal government.

Officials of several states asserted that the Department of Health and Human Services had promised to meet with state officials before settling the matter. "That never happened," said Jennifer Baxendell, the National Governors' Association's director of health legislation. She said the group was seeking to persuade members of Congress to consider overturning the decision.

The directive said that under a 1990 law, states must "with a few limited exceptions" include in their prescription drug coverage any medication that has been approved by the Food and Drug Administration.

It said Viagra did not fall within any of the exceptions, which include diet pills, smoking-cessation products and fertility treatments.

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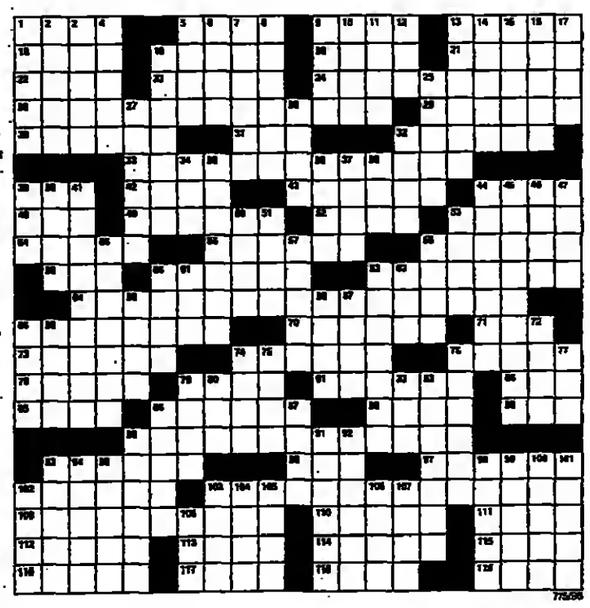
DROP IT ! By Joe DiPietro



ACROSS
1 Spot on a cliff
5 Pound (down)
9 First baseball player to make $1 million a year
13 Big splash
18 "Thérèse Raquin" novelist
19 Girl in a #1 Everly Brothers hit
20 Part of a meter
21 Ruth's mother-in-law
22 Turning points
23 Critic Judith
24 Genius?
26 Beige shirt with khaki pants?
29 "Bulworth" star
30 "Yo!"
31 Grp. in peace accords
32 Person of high position
33 A new twist?
39 Toshiba — competitor
42 "The Last Time I Saw Paris" composer
44 Wagner heroine
45 Twist
46 Solely
49 Job for a seamstress
52 Part of a plane
53 Partner of Brahma and Vishnu
54 Rather soft
56 Like many a castle
58 Not just given
59 Farm sound
60 Calmer
62 Kilmer communicates with the deaf?
64 Headline trumpeting a new wedding veil?
68 Hairdo for the office?
70 "Phantom Lady" actress, 1944
71 Far East carrier, for short
73 Black Sea locale
74 Challenging reply
76 Answers
78 "Seven" or "10," e.g.
79 Qatar's capital
81 Took steps
84 "Here —— Again" (1987 #1 hit)
85 Writer Harte
86 St. ——, Switzerland
88 Agape
89 Journal unit
90 Ex-hoopster Dave, after he went to Washington?
93 His name's an anagram of "gaoler"
96 Calendar abbr.
97 Supply boat
102 Split
103 Places where graft is most common?
106 Case for Ace Ventura?
110 Having fine threads
111 The Miners of the N.C.A.A.
112 Kind of bit
113 Cutlass, e.g.
114 Great interest
115 Repeated cry in a children's argument
116 Obdurate
117 Word after who or what
118 Gamepieces
119 Certain constellation star

DOWN
1 Bohemian, e.g.
2 "Good Times" star, in 70's TV
3 Calm
4 Needing a pat on the back, say
5 Gang's domain
6 —— were
7 Like a golf ball in the rough
8 Czar of 1682-1725
9 European capital
10 Fabrication
11 Home of the Cyclones
12 TV's "The —— Today"
13 Sportscaster Dick
14 Stone size
15 Hesitant
16 Concord
17 Baby
19 Absolutely clean
25 Hearty entree
27 Goal-oriented activity
28 Rikki-tikki ——
32 Plate ump's call
34 A little work
35 Belief that all natural objects have souls
36 Lord's worker
37 A three or a five, for instance
38 Literary inits.
39 Sound at the door
40 37-Down, e.g.
41 How "Lili Marlene" is played
44 Laughs hysterically
45 Psalms writer
46 Still
47 Rolls
50 "Take two" was his motto
51 Receipts
53 Disrespect
55 Sits, slangily
57 Sad
58 Tigers foe
60 Concert sites
61 Each
62 Of the belly
63 Ancient greeting
65 —— dixit
66 Dapper ones
67 Funny one
68 Starting point
69 Lilac, e.g.
72 Tour grp.
74 Shred
75 Owns, once
76 Kind of sale
77 Sauce ingredient
79 Ready to come out of the oven
80 Ending of many Web site names
82 One who stays up late
83 Make some fast food
86 1983 A.F.C. Rookie of the Year Rick
87 Bite, so to speak
90 Flaubert creation
91 Strengthen
92 Revolt
93 Eskimo —— (language group)
94 Discharge
95 Ancient Greek physician
98 Leftover
99 Woman of "Today"
100 It happens
101 Aggressive
102 Workers in columns
103 Battery
104 Tips
105 A bell ringer closes it: Abbr.
106 Wallop
107 Wherry equipment
109 Runner Sebastian

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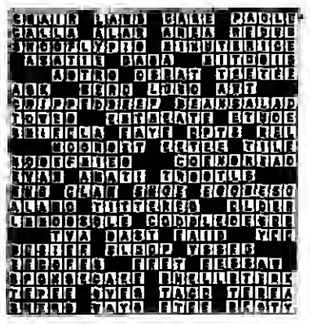
Solution to Puzzle of June 27-28



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Senators Seek Sanctions Flexibility

Some Fear That Enfeebled Pakistan Might Sell Nuclear Technology

By Thomas W. Lippman
Washington Post Service

WASHINGTON — Negotiations are under way among key members of the Senate on a measure that would soften the impact of mandatory economic sanctions that the United States imposed on India and Pakistan after they tested nuclear weapons in May.

Under current law, the sanctions were mandatory and automatic, with no provisions for a presidential waiver or termination, because Congress assumed they would deter potential nuclear testers and never have to be invoked.

But now that the tests have occurred and the sanctions are in place, some senators and officials of the Clinton administration fear that their inflexibility ties the administration's hands diplomatically and, in the case of economically feeble Pakistan, could provide an incentive to sell nuclear technology and materials to raise money.

"We not only believe but know that in its policy on transferring material to other countries, Pakistan has been very restrained," Deputy Secretary of State Strobe Talbott said at a meeting Wednesday sponsored by the Union of Concerned Scientists. "They have told us in recent days this restraint will continue."

But, he added, it is essential to head off further bomb and missile tests in South Asia because "vertical" proliferation — enhancement of nuclear weapons capabilities within a country — would be followed by "horizontal" proliferation, to other countries.

Senator Sam Brownback, Republican of Kansas and chairman of the Senate Foreign Relations subcommittee on the Near East and South Asia, and Senator Charles Robb, Democrat of Virginia, the ranking minority member, returned from a trip to South Asia this past week convinced that the sanctions law must be modified.

The sanctions, which in combination with other moves by the United States and its allies have virtually shut off access to international financing for India and Pakistan, "hurt Pakistan much more than India, and Pakistan is much less culpable" because India tested first, Mr. Brownback said.

He said Pakistan "wants to be a strong ally of the United States and we're pushing them away. We've got to provide the president with some waiver authority."

Mr. Robb is more sympathetic to India, Democratic staff aides said, but generally shares Mr. Brownback's view that some modification of the sanctions would increase U.S. diplomatic flexibility in trying to persuade the South Asian rivals not to escalate further.

"The trick is to find a face-saving way out that makes the sanctions short-term but doesn't make it look like you've caved in" on nuclear proliferation, a staff member said.

Senator Slade Gorton, Republican of Washington, said on a radio show June 2 that he and Senator Pat Roberts, Republican of Kansas, "will do everything we can at an early time in the Senate to end the India and Pakistan embargoes."

Other senators also are looking for legislative vehicles, probably spending bills, to which they can add modifications of the sanctions, staff aides said.

"We have a pretty good head of steam" in support of modification, Mr. Brownback said. But he also said he returned from the region fearful that both countries are preparing for a new round of flight tests of their ballistic missiles, a development he said could shut off momentum in Congress in favor of modifying the sanctions.

■ Russia and China 'Concerned'

Russia and China said Friday they were concerned about threats to security in South Asia after recent nuclear tests conducted by India and Pakistan, Reuters reported from Almaty, Kazakhstan.

Russia's foreign minister, Yevgeni Primakov, and China's president, Jiang Zemin, met at a regional security conference in Almaty, also attended by the former Soviet states of Kazakhstan, Tajikistan and Kyrgyzstan.

The five nations signed agreements in 1996 and 1997 on reducing their armed forces along the border between China and the former Soviet states. Mr. Primakov said the pacts were "especially important in today's conditions, when nuclear tests in India and Pakistan have taken place."

Mr. Jiang said that China expresses "deep concern over tensions in the adjoining South Asian region."

Pakistani Defector 'Scientist' Is Looking Like an Accountant

By John Kifner
New York Times Service

NEW YORK — A self-proclaimed defector from Pakistan's nuclear weapons program is not a scientist, but a low-paid accountant for a company that makes bathroom tiles, according to a director of the company.

Iftikhar Khan Chaudhry, who is seeking asylum in the United States, told several reporters Wednesday that he had been at an April meeting — weeks before India and Pakistan set off nuclear tests — in which Pakistani military leaders decided to launch a pre-emptive nuclear attack against New Delhi within 48 hours.

Mr. Khan, at a series of news conferences at the New York office of his lawyer, Michael Wildes, said he was ready to provide the United States with secret information about Pakistan's nuclear weapons program, including the presence of Chinese and Iranian scientists.

But Azad Gulzar Sheikh, a director of Forte Trading Co., told Pakistan state television in Islamabad and other Pakistani news agencies that until last fall Mr. Khan had worked as an assistant accountant for his company, which makes ceramic tiles and bathroom fixtures.

"It was a shocking moment for me when I read newspaper reports about the fake story," Mr. Sheikh told the privately run news agency News Network International.

Mr. Sheikh said that Mr. Khan had worked for the company between August 1993 and November 1997. He had a bachelor's degree in business practices, Mr. Sheikh said, and made about $120 a month.

The Pakistan Atomic Energy Commission issued a statement calling Mr. Khan's story "baseless, malicious, fabricated and concocted."

"No such scientist of any such name has ever worked in any of the Pakistan Atomic Energy Commission's sensitive nuclear installations," the statement said.

Ahmad Kamal, the Pakistani representative to the United Nations, said in a interview that the authorities had been able to track down Mr. Khan's identity through the correct family address on the identification card he had produced — which the official said was a forgery — and his photograph.

Mr. Wildes, the lawyer who had arranged Mr. Khan's many interviews, said "we expected this kind of response from the Pakistani government."

"My client has up- to-date, accurate and specific details on the nuclear missile program and other intimate details concerning their nuclear weapons," Mr. Wildes maintained.

The State Department spokesman, James Rubin, said Thursday that "we have no information to support this person's claim that Pakistan was planning a pre-emptive strike on Indian nuclear facilities."

The Associated Press

REPATRIATION — UN guards carrying a coffin toward North Korean soldiers Friday in Panmunjom during the handover of the bodies of nine North Koreans found dead on a submarine.

Retired Russian General Killed

Wife of Rokhlin, Harsh Critic of Yeltsin, Reported to Confess

Reuters

MOSCOW — A retired general, Lev Rokhlin, a member of Parliament and an outspoken critic of President Boris Yeltsin, was found dead Friday, and his wife said she killed him, the Russian Interior Ministry announced.

"She admitted she killed General Lev Rokhlin by one shot in the head around 4 A.M. Friday from his own Makarov-system pistol," a ministry spokesman said.

The Federal Security Service, one of the successor bodies to the Soviet-era KGB, said earlier that it had no reason to suspect political motives in the killing.

"There are no signs of any terrorist act," said a spokesman for the security service. "There are no political reasons for the death."

A duty police officer in the town of Naro-Fominsk, near Moscow, said the general's body was found at his country home in the morning by policemen who had been summoned by a neighbor.

"There are only versions of the killing, all of them have to be thoroughly studied and proved," he said, adding that General Rokhlin's son-in-law had been the first to say the general's wife shot him. He could not confirm that the gun used was General Rokhlin's and said the investigation would continue.

General Rokhlin, 51, won prominence in 1995 commanding the troops that stormed Grozny, capital of breakaway Chechnya, during Moscow's bloody attempt to subdue the region.

The gruff general later won a seat in the Russian State Duma, the lower house of Parliament, where he represented the pro-government Our Home is Russia party. He also became chairman of the Duma's Defense Committee.

General Rokhlin later quit Our Home in protest over President Yeltsin's planned military reforms, saying they would destroy Russia's once mighty but now underfunded and demoralized armed forces.

He also urged servicemen to disobey the Kremlin's orders.

General Rokhlin lost his post as head of the Defense Committee, and he set up his own political movement, called In Support of the Army and the Military Industry.

A Prediction: 40 Million Ill From AIDS By Year 2000

Reuters

GENEVA — The 12th World AIDS Conference ended here Friday with a call to arms to step up the battle against the disease.

Speakers warned that the war was far from over against the disease that will have afflicted 40 million people by the year 2000.

As a counter added up the number of people infected with the HIV virus around the world — one every five seconds, 16,000 a day and about 100,000 since the conference began Sunday — speakers at the closing session highlighted the inequities in treatment and care between rich and poor.

"Millions of children and adults are becoming infected, falling ill and dying without the barest essentials in medical treatment, counseling or social support," Secretary-General Kofi Annan of the United Nations said in a video address to the closing session.

■ Grave Doubt on a Vaccine

David Brown of The Washington Post reported earlier from Geneva:

Research results presented here on Friday cast grave doubt on the safety of a proposed experiment to use a weakened, but live, strain of the AIDS virus as a vaccine.

No such vaccine has been administered to human beings, but 300 people — most of them physicians — said they were willing to take one should such a "study protocol" be approved by the appropriate authorities.

The results of experiments in monkeys, presented at the World AIDS Conference, suggest that even weakened strains of virus eventually cause illness while offering only moderate protection against infection.

"I don't know how we can be considering a vaccine that is not only not safe but is not effective," said Dr. Ruth Ruprecht, a physician and AIDS researcher at the Dana Farber Cancer Institute in Boston.

In addition to monkey research data, information about a small number of Australians infected with damaged and severely weakened strains of the human immunodeficiency virus also cast doubt on a weakened virus vaccine.

A safe and effective vaccine remains the single most important scientific goal in AIDS research, for it offers the only realistic strategy for stopping the epidemic. Numerous HIV vaccines are in various stages of human research.

The first large trial testing the effectiveness of a vaccine began recruiting volunteers last month in five cities.

All of the vaccines being studied in humans contain only pieces of HIV, usually fragments of its molecular shell or structures attached to it. The majority of modern medicine's vaccines are "live attenuated" vaccines.

A live attenuated vaccine contains a genetically crippled version of a virus. It is unable to cause disease, but it can still grow and cause a "silent" infection. That, in turn, stimulates the body to fight it and erect immune defenses preventing infection by the "wild" type of the virus, should a person encounter it.

With virtually all the live virus vaccines in use, the body cures the infection and the microbe is eliminated. HIV is different. It causes permanent infection, stitching itself into the DNA of billions of the host's cells. For that reason alone, many scientists reject a live attenuated HIV vaccine out of hand.

Herald International Tribune
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Algeria Agrees to Admit UN Fact Finders on Killings

By Barbara Crossette
New York Times Service

UNITED NATIONS, New York — Algeria, which has for months resisted outside efforts to investigate the violence that has killed tens of thousands of citizens since 1992, has agreed to admit a high-level international political mission.

The mission, which the United Nations describes as "a panel of eminent persons," is expected to leave soon for a fact-finding trip, after which it is to report to Secretary-General Kofi Annan on a series of massacres, some of which human-rights groups attribute to Islamic extremists and some to military death squads.

The team will be led by Marin Soares, a former president of Portugal. He will be accompanied by Donald McHenry, a former U.S. representative at the United Nations; Inder Kumar Gujral, former prime minister of India; Abdel Karim Kabariti, former prime minister of Jordan; Simone Veil, a former French cabinet minister, and Amos Wako, attorney general of Kenya.

The officials will be buttressed by a contingent of UN technical experts.

Algeria has suffered six years of violence and massacres of civilians since an election in 1992 was canceled when Islamic radicals pulled into the lead in what was to have been a two-stage vote.

Requests by Mary Robinson, the UN high commissioner for human rights, to investigate the abuses have been rebuffed by the Algerians. So have efforts by the European Union. This time, however, the government has promised to cooperate with the new team.

The Group of Eight industrial nations urged Algeria last month to allow a UN mission to study the violence. On Thursday the secretary-general's spokesman announced that Algeria had agreed without conditions.

"The government of Algeria has assured the secretary-general that it will insure free and complete access to all sources of information necessary for the panel to exercise its functions in order to have a clear vision and a precise perception of the reality of the situation in all its dimensions in Algeria today," the announcement said.

In Budapest Blast, Fear of Gang War

Reuters

BUDAPEST — The Hungarian police said Friday that they were trying to head off all-out warfare between criminal gangs after a car bomb in the heart of Budapest killed a police informer and three bystanders.

The chief of police, Attila Berta, appearing on state television, said he had deployed more than 350 officers in Budapest full-time to clamp down on gang violence.

The bomb, which killed a restaurateur, Tamas Boros, who acted as a police tipster, and three others, occurred shortly before noon off the Vaci Street shopping district.

The police were searching for a man in his 30s with curly hair and dark skin who was observed leaving the area later in a white Ford Escort.

A bomb containing an estimated 20 sticks of dynamite, set off by remote control, demolished the Fiat car in which it was concealed, wrecked three other cars and smashed shop windows. The police said that 25 people were injured by the explosion and that 5 of them were foreigners. Two victims who had been listed in critical condition were recovering, hospital officials said.

Budapest ordered that black flags be flown in tribute to the victims and as a form of protest against the worst bombing in a wave of more than 150 in the last 18 months.

Most of the earlier bombings damaged property but caused no deaths.

The chief of police said Mr. Boros, who owned restaurants and nightclubs in Budapest and the resort area of Lake Balaton, had provided valuable information in a fraud involving thefts of petroleum.

He said that there had been four attempts on Mr. Boros's life and that a police guard had been posted at his house.

But the businessman refused to have police guards accompany him during the day, Chief Berta said.

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BRIEFLY

Former Suharto Friend Questioned in Jakarta

JAKARTA — Prosecutors on Friday questioned one of Indonesia's richest men — and a former presidential golfing buddy — in an inquiry into allegations of corruption under former President Suharto.

Officials from the Indonesian attorney general's office said Friday that they interviewed a former trade and industry minister, Mohammed (Bob) Hasan, over the collection of fees from members of a billion-dollar plywood cartel he dominated until this year.

Indonesia is the world's largest plywood producer, churning out 10 million cubic meters annually.

The cartel has been dismantled as part of a $43 billion bailout deal from the International Monetary Fund that calls for sweeping reforms.

A spokesman for the attorney general's office said that Mr. Hasan had promised to provide more information. *(AP)*

Manila Protesters Ask U.S. Aid on Toxic Waste

MANILA — About 120 protesters rallied Friday at the U.S. Embassy to urge Washington to help the Philippines clean up toxic waste allegedly left behind by American troops when the last U.S. military base in the country was closed in 1992.

The demonstration came a day ahead of July 4, the U.S. Independence Day, which is also the day the Philippines gained independence from the United States in 1946.

"The U.S. undermines irrefutable evidence of toxic contamination by refusing to recognize it," the People's Task Force for Bases Cleanup said in a statement. "We seem to have a forgetful friend."

More than 100 people from villages just outside the former Clark Air Base came by bus to Manila and marched to the seaside embassy under heavy police supervision.

Groups that opposed the bases have accused the Americans of not properly cleaning up before they left. *(AP)*

2 Deaths Are Reported In Tokyo Heat Wave

TOKYO — Temperatures soared over 38 degrees centigrade (100 degrees Fahrenheit) on Friday as a heat wave hit Japan, reportedly causing two deaths and putting 60 people in the hospital.

The national broadcaster NHK said a 58-year-old man died in the city of Noda in Chiba prefecture north of Tokyo after being overcome by heat while walking in a public park. A 90-year-old woman was found by neighbors after she collapsed in a rice field in the town of Yoshimi in Saitama prefecture outside the capital. She was taken to a hospital where she was pronounced dead, NHK said.

The police in the two cities could not confirm the deaths.

Across Japan, more than 60 people were taken to hospitals suffering with symptoms of heat exhaustion, Kyodo News agency reported. *(AP)*

Tanker Captain Pleads Guilty in Oil-Spill Case

SINGAPORE — The Greek captain of a tanker involved in Singapore's worst oil-spill pleaded guilty Friday to charges of not taking timely action to avoid a collision and failing to keep a proper lookout.

The plea by the skipper, Michael Chalkitis, followed an admission of guilt on Monday by Jan Sokolowski, the Polish captain of the Thai supertanker Orapin Global, to charges of negligent navigation and speeding.

Both guilty pleas were a surprise and cut short what had been expected to be a long and complicated trial for which the court had set aside five weeks.

The Orapin Global and the Cyprus-flagged oil tanker Evoikos collided near Singapore on Oct. 15, spewing nearly 29,000 tons of heavy marine fuel oil into the Singapore Straits from a huge gash in the side of the Evoikos. *(Reuters)*

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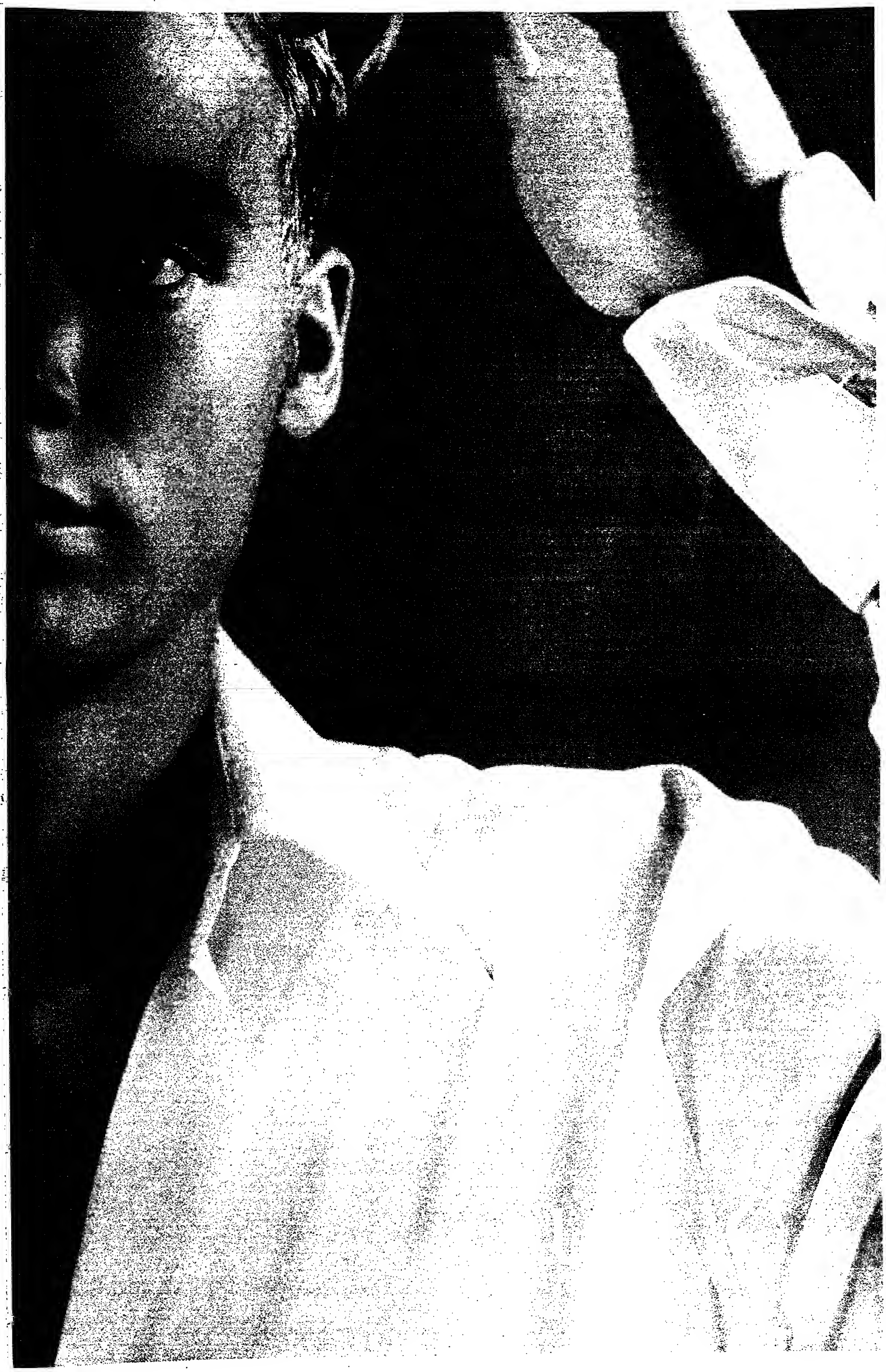

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EDITORIALS/OPINION

Herald INTERNATIONAL Tribune
PUBLISHED WITH THE NEW YORK TIMES AND THE WASHINGTON POST

Let Milosevic Know

Events are challenging the American effort to promote a negotiated settlement in seething Kosovo. As earlier in the Balkan wars of the 1990s, the chief difficulty lies in determining an attitude to the Serbs and specifically to Slobodan Milosevic, president of rump Yugoslavia, which includes Serbia, of which Kosovo is part. Mr. Milosevic's depredations and deceptions have made him a detested figure to the United States and its European allies. But he has shrewdly looked for ways to reduce his isolation by making himself useful to the allied powers.

In Kosovo, for instance, Mr. Milosevic was at first the plain villain; his outrages against civilians fueled Western talk of direct NATO action. But that was before Western apprehensions started to grow about the Kosovo Liberation Front, a separatist-minded guerrilla group that has been gaining military ground against the Milosevic forces and political ground against pacifist Ibrahim Rugova, earlier the West's chosen ethnic Albanian Kosovo interlocutor. Mr. Milosevic has since sought to adjust to the American reach for a Kosovo negotiation and to lower his military profile in the province.

As a result, in official American eyes the threat posed by President Milosevic has diminished against the threat posed by the Kosovo Liberation Front. The Front not only presses the war in Kosovo but reaches out provocatively to inflammable Albanian populations beyond.

The American response is to call for restraint from Kosovo's armed rebels as well as from the Milosevic forces, and to offer the guerrillas a place at the negotiating table. This puts the United States in the uncomfortable position of sqoeezing the moderates among Kosovo's Albanians and raising the status of a group, the Liberation Front, that the State Department not long ago dismissed as a "terrorist organization." Washington's hope is to tame the rebel military campaign — the very goal of Mr. Milosevic.

At the moment the NATO countries have backed away from threats of NATO intervention to protect Kosovar civilians from Mr. Milosevic. But his attacks continue. He should not be allowed to conclude that the alliance's care for innocents is at an end.

The parties to the Kosovo dispute start from widely divergent positions: Negotiations will be slow going. Bnt those talks must be pressed — to save lives and to head off a regional war.

—THE WASHINGTON POST.

CNN Teaches Caution

The prelaunch publicity for a new Time-CNN collaboration called "NewsStand" made its first piece sound like the daring international scoop of every journalist's dreams. But Thursday, less than a month after CNN and Time jointly charged that America secretly used nerve gas on a mission designed to kill defectors during the Vietnam War, they took it back.

In a 54-page analysis of the reporting for the two news organizations, the First Amendment lawyer Floyd Abrams concluded that the charge was "insupportable." CNN, Time and their parent company, Time Warner, released the devastating Abrams report and began trying to explain, in a very public way, what went wrong.

This was a story that was pushed far beyond its limits. Hazy quotes from an 86-year-old former chairman of the Joint Chiefs of Staff, Admiral Thomas Moorer, that did not support the piece; barracks gossip and unreliable reconstituted memories all were stretched into a dramatic but unproved charge.

Looking at transcriptions of notes and interviews, Mr. Abrams said it was clear that investigators at CNN fervently believed, and probably still believe, that their story was correct. But as the report points out, they did not have enough evidence to make such explosive charges. Most important, *they were so intent on proving their* case that they did not listen closely enough to the many sources who insisted that their premise was not true.

It is an old problem in journalism, and many question how the professionals at CNN and Time let it resurface for such an important piece. In the case of CNN, which did the bulk of the reporting, three top investigators announced that they were leaving the company. Time magazine, which published CNN's article without running it through its own reporting and editing system, lost editorial control, a bad idea made even worse by the sensitivity and magnitude of this flawed revelation.

Finally, there is an underlying question about whether these two media organizations were driving too hard to make a splash in today's saturated market, a frenzy that perhaps led to cutting corners and hyping the piece.

In some ways, this has been a season for media embarrassments. The Boston Globe, owned by The New York Times Co., recently dismissed a columnist after editors learned she had been inventing people and eloquent quotes. The New Republic dismissed a reporter who fabricated a political underworld that seemed, and was, too outrageous to be true. And The Cincinnati Enquirer this week paid Chiquita International Brands an astonishing $10 million, retracted a series about the fruit company and dismissed the reporter in charge.

For all these organizations, the damage will linger for some time.

For CNN and Time, it will inject a *healthy note of caution into future collaborations.* But in each case, the journalists had the right instinct to declare error openly and quickly. That is the media's road to restoring credibility after making such grave mistakes.

—THE NEW YORK TIMES.

Starr Needs to Finish

Kenneth Starr, the independent prosecutor, has every right to appeal the dismissal this past week of the tax evasion charges he brought against former Associate Attorney General Webster Hubbell. The decision by Judge James Robertson of U.S. District Court seems questionable in several respects.

But Mr. Starr should heed the larger message of this and other adverse rulings of recent weeks: that the investigations of President Bill Clinton must sooo be brought to a conclusion.

Judge Robertson's central findings that Mr. Starr exceeded his authority under the independent counsel statute and reneged on his immunity deal with Mr. Hubbell are closer questions legally than his harshly worded opinion might suggest. Mr. Starr's use of financial documents obtained from Mr. Hubbell under a limited grant of immunity to build the tax case against him is troubling. Bnt whether higher courts will agree that it was a violation of Mr. Hubbell's Fifth Amendment rights is uncertain. Supreme Court decisions on the rule against self-incrimination have limited its reach.

Judge Robertson mistakenly suggests that the prosecution of Mr. Hobbell strays too far from Mr. Starr's legal mandate to investigate the Whitewater affair. Since Mr. Hubbell, a former law partner of Hillary Rodham Clinton, knows a great deal about the Whitewater matter, it does not seem unreasonable for Mr. Starr to pursue the suspicion that he received hush money from Clintoo friends.

But in seeking further judicial review of these issues, Mr. Starr ought not to lose sight of the broader picture. The various legal matters involving Mr. Clinton need to be resolved. The impatience of various federal courts with Mr. Starr's tactics has added to national unease about the open-ended nature of his inquiry. The office of independent counsel was established not only to assure the unfettered investigation of charges against the highest government officials. It was also created to ensure that a prosecutorial judgment be rendered in a timely manner. In the case of Mr. Clinton and Mr. Starr, that time is rapidly approaching.

—THE NEW YORK TIMES.

Other Comment

Kosovo Cannot Wait

A strong case for intervention against Serbia rests on the threat to international peace. It would be highly desirable were the Security Council to give its approval to NATO for appropriate action.

—The Economist (London).

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A U.S.-China Partnership for Prosperity and Security

By Bill Clinton

The writer is president of the United States.

HONG KONG — The security of the United States is enormously enhanced by a positive partnership with a prosperous, stable, increasingly open China, working with us, as it is, on the challenges of South Asian nuclear issues, the financial crisis in Asia, the Korean peace effort, and others.

Building economies and people, not weapons of mass destruction, is every nation's best path to greatness. The vast majority of countries are moving away from, not toward, nuclear weapons. They are also moving away from the notion that their infloence in the future will be defined by the size of their military, rather than the size of their gross domestic product and the percentage of their citizens who know a great deal about the world.

India and Pakistan's recent ouclear tests, therefore, buck the tide of history. This is all the more regrettable because of the enormous potential of both countries. Each could achieve real, fundamental greatness in the 21st century; but it will never happen if they divert precious resources from their people to develop ooclear weapons and hoge conventional military arsenals.

The United States has worked hard with China and other leading nations to forge an international consensus to prevent an intensifying arms race on the Indian Subcontinent. We do not seek to isolate India and Pakistan, but we do seek to divert them from a self-defeating, dangerous and costly course. We encourage both nations to stop testing, sign the Comprehensive Test Ban Treaty and settle their differences through peaceful dialog.

The second lesson we should take into the future is that nations will only enjoy true and lasting prosperity when governments are open, honest and fair in their practices, and when they regulate and supervise financial markets rather than direct them. Ton many booming economies, too many new skyscrapers now vacant and in defanlt, were built on shaky foundations of cronyism, corruption and over-extended credit. This undermined the confidence of investors — with sudden, swift, and severe consequences.

The financial crisis has touched nearly all the nations and households of Asia. Restoring economic stability and growth will not be easy. The steps required will be politically unpopular and will take courage. The United States will do all it can to help any Asian government willing to work itself back to financial health. We have a big interest in the restoration of growth, and in starting the flows of investment back into Asia. Roughly a third of our exports and four million American jobs depend on our trade to Asia.

The United States supports China's economic growth through trade. We purchase 30 percent of China's exports — far more than any other country and far more than our percentage of the world's GDP. There is a very limited time period in which we can absorb all the exports of Asia to try to do our part to keep the region's economy going. While we may enjoy a brief period of surging extra investment in the United States as a result of the Asia's difficulties, over the long run stable growth everywhere in the world is the best prescription for stable growth in America.

We are seeing some positive steps. On Thursday, Japan announced the details of its new and potentially quite significant banking reform proposals. We welcome them. Thailand and South Korea are taking decisive action to implement their economic reform programs with the support of the International Monetary Fund. Indonesia has a fresh opportunity to deepen democratic roots and address the economic challenges it faces.

Thanks to the leadership of President Jiang Zemin and Prime Minister Zhu Rongji, China has followed a disciplined, wise policy of resisting competitive devaluations that could threaten the economy of China, the region and the world. Hong Kong can help to lead Asia out of turbulent times as it contributes to China's astonishing transformation by providing investment capital and expertise in privatizing state enterprises and sharing legal and regulatory experience.

This comment was adapted by the Herald Tribune from a speech Mr. Clinton gave Friday to community and business leaders in Hong Kong on the last day of his visit to China.

Unrealistic Premises Will Sink This 'Beijing-Washington Axis'

By Michael Yahuda

LONDON — The new partnership that Bill Clinton claims to have forged with China is flawed in two ways.

First, it rests on an exaggeration of what was accomplished so as to excite expectations that cannot be realized. As a result, disappointment — if not yet another crisis in Chinese-American relations — cannot be far away.

Second, by placing engagement with China at the center of his strategic approach to Asia, Mr. Clinton has antagonized India without offering it a way into the Nuclear Nonproliferation Treaty except on Chinese terms that New Delhi can only find demeaning and threatening to its strategic interests.

The new partnership appears to rest on a view of China and its prospects that bears little resemblance to reality. Far from being "an island of economic stability" in the Asian economic storm, China's seeming calm relies on very shaky foundations. The economy is slowing, unemployment is increasing, and brakes are being applied to the much touted reforms of state-owned companies and the banking system.

Indeed, the day before Mr. Clinton arrived in China, in a reverse of previous reformist policy, the banks were instructed to resume lending to state enterprises. With domestic demand wilting and inventories of unsold goods rising, it is hardly surprising that the Chinese side showed even less interest than before in opening their market to more efficient foreign competition. As a result, Mr. Clinton and his officials got nowhere on trade issues or in opening the Chinese market.

The live broadcasts of Mr. Clinton's calls for greater recognition of universal human rights, and of his debates with President Jiang Zemin about the brutal suppression of the student-led pro-democracy movement in Beijing's Tiananmen Square in June 1989, were an important breakthrough.

Yet they did not stop the Chinese government from removing known dissidents from Mr. Clinton's path. Nor have they even addressed some of the more frightening elements of the abuse of authority in China, such as the long-standing right of the Public Security Bureau to cast any citizen without trial into labor camps for two years, for "educatioo through labor."

Nor can they be expected to prevent another crackdown should social turbulence erupt as a result of China's deep-seated problems.

The history of U.S. relations with China is littered with examples of how exaggerated American expectations were followed by embitterment. It is not in the interest of either China or the United States that the quality of their new relationship should be hyped up in the way that the Clinton administration is encouraging.

Perhaps most dangerous of all is the talk of working with China to allay the tensions in South Asia.

Not a year has passed since Mr. Clinton became president without one of the U.S. intelligence agencies claiming to produce evidence of Chinese supplies of nuclear weapons-related materials and know-how, and of missiles, to Pakistan. If Beijing was not so keen on denying this, it might have explained that it served China's strategic purpose to offset India's conventional military superiority over Pakistan.

The United States has an interest in trying to limit the damage to the nonproliferation regime. But having taken so little interest in Indian concerns for so long, Mr. Clinton and Secretary of State Madeleine Albright can hardly expect the democratically elected government of India to pay attention to their definitions of Indian national security interests when they are at one with those of China — a source of longtime strategic concern for New Delhi.

The United States should be paying more attention to improving the quality of the command and control systems of both India and Pakistan to increase each other's confidence in avoiding an accidental nuclear exchange. The United States should also be seeking ways of drawing the two into various arms control arrangements, rather than hectoring them from Beijing.

Since China's military planners will now find themselves constrained to a certain extent by the nuclear power elsewhere in Asia, it is unclear why Washington should align itself with Beijing on this issue. The United States has long tended to ignore India, but now that it can no longer be ignored, Mr. Clinton should consult more broadly in Asia. He should also constructively engage New Delhi, rather than form what in India is already called a "Beijing-Washington axis."

The writer, professor of international relations at the London School of Economics and Political Science, contributed this comment to the International Herald Tribune.

It's July 4, and the Voters Probably Aren't Thinking of Nov. 3

By George F. Will

WASHINGTON — Members of Congress are home celebrating American independence, the male members by spilling mustard on their red neckties (do they wear them even at picnics? probably) and getting their wingtips close to the grass roots. Members of both parties must be wondering who is going to vote Nov. 3.

To regain control of the House, Democrats need to gain only 11 seats, but that would be the best gain for a party holding the presidency since the emergence of the two-party system. Lincoln's Republicans lost seats in 1862, and since then the party with the White House has lost House seats in every off-year election except 1934, when Franklin D. Roosevelt's Democrats gained nine.

However, as turnout declines, the potential for volatility increases, because the decline may not be symmetrical — may not be evenly distributed among Republicans and Democrats. And according to the Committee for the Study of the American Electorate, the decline of turnout continoes.

In 1996 record sums were spent by parties, candidates and interest groups to excite an electorate swollen by a net increase of 5 million registered voters. The electorate, however, remained unstimulated.

The 1996 decline of turnout produced the lowest turnout since the enfranchisement of women in 1924. This year there was a surge in voting in June in California, where about one in nine American voters lives, because of that state's new open primary and contests for the Democratic gubernatorial nomination, the Republican Senate nomination and several controversial initiatives.

Still, the Committee for the Study of the American Electorate reports that, nationwide, participation in statewide primaries held through the middle of June indicates that when all primaries have been held, participation will have been the lowest ever — and November may see a record low turnout.

November may be largely an "election of the bases," dominated by the motivated, ideological bases of the parties. If "swing" voters stay home in droves, there could be a paradoxical result: At a moment of national contentment, campaigns could become ideologically hot in order to energize the bases. But each party has its own problem.

The Democrats' is that in off-year elections turnout drops sharpest among low-income and minority voters. The task of making an ideological appeal to such groups is complicated by the fact of the country's conservative mood.

The Republicans' problem is twofold. First, in the last off-year elections, Republicans triumphed by promising that, given a congressional majority, they would transform Washington. Two years ago they did end two large entitlement programs dating from the 1930s: agricultural price supports and Aid to Families with Dependent Children.

Bnt perhaps their emblematic transformation (emblematic of their own transformation, going native) has been of the Committee on Transportation and Infrastructure, which now has a swollen membership of 75, about one-sixth of the House. This year it produced the oinking highway bill: an entitlement that can be called Aid to Politicians with Dependent Construction Contractors.

Second, the Republican base is increasingly composed of "social issues conservatives" who are increasingly skeptical of the pertinence of politics to what concerns them most: the condition of the culture. They may half-consciously hanker for a William Jennings Bryan of the right: In his long career, Mr. Bryan spent little time in public office (two terms in the House, 27 months as secretary of state), but for two decades he was the foremost Democrat, an inspiriting preacher.

If few voters show up at the polls in November, it may be because, as Jonathan Rauch says, "What do you do when your car is up to its windshield in mud? You get out and walk. That's what many Americans are doing now in response to government's inability to get them where they want to go."

However, there is much more to civic engagement than just voting. Mr. Rauch notes that since 1980, while voting has been declining, the portion of Americans volunteering with charitable or social service groups has risen from about 30 percent to more than half, and per capita charitable giving has risen a remarkable 40 percent.

This is not the behavior of a nation sunk in apathy. Rather, it reflects only a limited resignation — what Mr. Rauch calls "enlightened defeatism" about government's infirmities.

Otherwise, Americans are getting on with their lives with a spring in their steps.

Washington Post Writers Group.

Vatican Archives Awaiting the Light

By Miles Lerman

WASHINGTON — This spring the Vatican released a document — "We Remember: A Reflection on the Shoah" — that has aroused public debate among scholars, religious leaders and lay people about the papacy's portrayal of its role during the Holocaust and the lessons of conscience it hopes to transmit to Catholics everywhere.

While "We Remember" might have gone further in discussing what the papacy could have and should have done to decry Nazi anti-Semitic and genocidal policies, we at the United States Holocaust Museum see an opportunity for the Vatican to take a necessary next step by opening its archives from the Holocaust period.

In his introduction, Pope John Paul II conveys his hope that the document will "enable memory to play its necessary part," by shaping a future in which the "unspeakable crime of the Shoah will never again be possible."

His Holiness is among the first pontiffs to seriously address reconciliation with Jews as a personal priority. He has repeatedly demonstrated remorse for what happened to the Jewish people not only in the Holocaust but throughout history as a result of anti-Semitism. He has taken monumental steps that are fundamentally changing relations between Catholics and Jews.

Acknowledging the unique Jewish tragedy of the Holocaust, he was the first Pope to visit Auschwitz-Birkenau and pray for its victims. He was the first Pope to formally visit a synagogue. He meets regularly with Jewish leaders.

I believe Jewish hearts and minds are open to the Pope's efforts to heal relations between the two faiths. It is, however, important to recognize that for such a process to take root, we must confront our past. The opening of the Vatican archives from this period would be the most effective means to accomplish the Pope's worthy goal.

The Vatican report is a significant step in acknowledging the Catholic Church's need to come to terms with its acts and omissions during the Holocaust. Some Catholic Church authorities and believers acted nobly while others remained indifferent. We owe it to the memory of the victims and to history to explore all the complexities.

The United States Holocaust Memorial Museum pursues historical truth for this very purpose. It has signed agreements with European nations and international organizations to gain access to and reproduce millions of pages of archival records for its collection.

With few exceptions, the Vatican's Holocaust-era archives have remained closed. We hope the Vatican will agree that the time has come to open its records and permit scholars to study them. These archives detail Vatican decision-making during World War II. They contain drafts of the encyclicals published by Pope Pius XI in 1937 and Pope Pius XII in 1939, materials on the Concordat with Nazi Germany and information on the Catholic Church's reaction to developments during the Nazi era.

The archives contain confidential reports and correspondence from Catholic clergy documenting the destruction of European Jewry. They tell how much the Catholic Church knew about Nazi activities as well as when, where and how the church became informed about the ghettoes, concentration camps, deportations and mass killings.

Letting the light shine on our personal pasts can be uncomfortable and illuminate painful truths. So, too, with nations, and perhaps with the Vatican. With regard to the Holocaust, few nations are free from the guilt of indifference and intolerance. But by recognizing and confronting past failures, we gain the moral strength to shape a better future.

The writer is chairman of the United States Holocaust Memorial Council. He contributed this comment to The Washington Post.

IN OUR PAGES: 100, 75 AND 50 YEARS AGO

1898: Battle Suspended

NEW YORK — General Shafter has been heard from, but the War Department refuses to make his despatch public. It is understood, however, that the battle in Santiago has been discontinued. General Shafter evidently underestimated the strength of the enemy, and is now compelled to await reinforcements before continuing the attack. It is known that the American loss for the two days' fighting is of a heavy character.

1923: Colorful Duel

PARIS — After a long interval, due to the war, duelling has begun to resume its old-time sway among Parisians, the latest encounter being staged among members of the Bar practising at the Court of Appeal. Unlike the old-fashioned duels, it did not end until blood was spilt. Me. Campinchi, who is well known as a criminal lawyer, had a personal difference with Me. Barquissau the other day, and twice "pinked" his adversary in the resulting encounter with swords.

1948: Jerusalem Force

TEL AVIV — While protecting Palestine's truce, the United Nations Supervisory Commission has presented to Arabs and Jews an ambitious scheme to demilitarize part of Jerusalem with the first armed international police force yet created, it was learned today [July 3]. Mount Scopus, the Biblical height in northern Jerusalem, has been selected for the initial experiment with UN police chosen on a volunteer basis internationally. Both Arabs and Jews have agreed in principle to demilitarization of Scopus and to UN control. The plan is entirely separate from the four-week cease-fire pact.

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ART

Pushkin Museum, Moscow

From "Paul Gauguin: The Lost Paradise" in Essen, one of many exhibitions honoring the painter this year.

Gauguin's Voyage to Paradise

By David Galloway

ESSEN, Germany — With flowing hair and an outlandish costume inspired by Buffalo Bill's Wild West Show, the French visitor disembarked in Tahiti in 1891, eager to imbibe the island's sensual bounty. Like many a tourist besotted by fantasies of uninhibited, low-budget thrills, Paul Gauguin abruptly plunged into the uncharted gulf between dream and reality.

Missionaries, merchants and colonial bureaucrats had long since left their mark on the "unspoiled paradise" hymned by such 18th-century explorers as Captain James Cook and Louis Antoine de Bougainville. Prices were high, and even remote villages knew the ravages of alcoholism, syphilis and tuberculosis.

Denied critical and financial recognition in France, Gauguin had dreamed of an "atelier of the tropics," where living was cheap and where new, even revolutionary, motifs awaited.

With scarcely a thought for the wife and five children he had packed off to Copenhagen or the pregnant mistress left behind in Paris, the former stockbroker set sail for paradise, only to encounter "Europe — Europe, from which I believed I had freed myself!" Yet by moving away from the overpriced francophile capital of Papeete, the visitor found at least the thatched hut and nubile maidens of his dreams.

But Gauguin learned his own severe lesson in the prudish heritage of missionary zealotry when he was arrested and fined for bathing in the nude at a remote beach. It was not his last contretemps with colonial authorities. During his second sojourn in Polynesia, from 1895 until his death in 1903, the painter produced anti-government pamphlets urging the locals to refuse to pay taxes to an exploitative regime. He was fined 500 francs and sentenced to three months in prison.

Before his appeal could be heard, Gauguin had bid farewell to paradise lost: In the hut he had erected on the Marquesas island of Hiva Oa and dubbed "The House of Pleasures," he succumbed at the age of to a combination of syphilis, an infected leg wound, alcoholism and morphine abuse.

Long before his death and though his Polynesian paintings had found few buyers, Gauguin had become a legendary figure — an incarnation of the bohemian rebel. "Don't come home!" a friend advised. "You already have the immunity of dead heroes. You are part of art history." Indeed, in seeking to bridge the painful schism between dream and reality, Gauguin had created a voluptuous body of work in which color was triumphantly liberated from representational restraints. He freely mingled observations of local flora and fauna with his own erotic fantasies and fragments of information on Tahiti's precolonial myths and rituals.

Those pictures have indelibly stamped both the popular, postcard image of Paul Gauguin and touristic conceptions of an earthly paradise. Like many artists of his generation, the French pilgrim sought an antidote to the rampant industrialization and urbanization of his day. Perhaps for similar reasons, his idyllic visions seem to have particular appeal to a post-technological society rushing out just toward the end of a century but into a new millennium.

A Gauguin fever has broken out in Germany. It is not just the reflection of a fin-de-siècle yearning for paradise but a celebration of the 150th anniversary of the artist's birth. "Paul Gauguin — Tahiti," which recently closed at the Stuttgart Staatsgalerie, broke all previous attendance records.

Essen's Folkwang Museum expects some 600,000 visitors to stand in line for "Paul Gauguin: The Lost Paradise." The Essen show, which runs through Oct. 18 and then moves on to the Neue Nationalgalerie in Berlin, documents the artist's Tahitian phase in more than 50 paintings, totemic sculptures and graphics. Many of the paintings, gathered from museums throughout the world, have never been previously exhibited in Germany, and one of them — the monumental "Rnperupe" — has never been seen outside the Pushkin Museum in Moscow. A prelude to the Essen ensemble features earlier visions of paradise, including that of Lucas Cranach, while an epilogue documents Gauguin's influence on such followers as Ernst Ludwig Kirchner and Franz Marc.

The chronological presentation of Gauguin's works makes clear that his first, comparatively brief stay on Tahiti was artistically more successful than the second. And it was these works, exhibited on his return to Paris in 1893, that did most to ensure his legend, if not his fortune. But even those canvases are not entirely free of cliché and repetition or of compositional "borrowings" from classic European painting. Furthermore, some of their topless heroines come dangerously close to a cartoonist's seductionism. What triumphs, even against such odds, is the succulent, unorthodox coloration that literally seems to flood the canvases.

ON Aug. 30, Munich's Hypo Kulturstiftung opens a show entitled "Gauguin and the School of Pont-Aven." With 30 works by the master and 110 by the colleagues with whom he painted in Brittany, the exhibition seeks to document the painter's influence on an entire school of artists.

In Switzerland, the Fondation Pierre Gianadda, in Martigny, has mounted a retrospective, through Nov. 22, of 120 paintings and sculptures from all phases of Gauguin's career — the earliest of these from 1873, when he was a successful stockbroker and Sunday painter. Yet this show, too, inevitably concludes with the wanderer's quest for paradise.

David Galloway is an art critic and free-lance curator based in Wuppertal, Germany.

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Africa Turns a Lens on Itself

150 Years of History, With Stunning Portraits

By Katherine Knorr
International Herald Tribune

PARIS — Africa through a lens: More often than not, Africa and Africans have endured a European eye, whether it's through the lens of the scientist or the nature photographer who capture the landscapes and the wildlife and the tribal life, or more often the destruction of all these things.

A large and curious exhibition at one of Paris's photography museums gives us quite a different look at Africa, through African lenses. This is in many ways as bleak a view of Africa as many Western photographers have given, and yet the perspective is so strikingly different that it will refocus any viewer's way of seeing that tragic continent.

Set up by La Revue Noire, a Paris-based magazine that focuses on African art, this show attempts to chronicle 150 years of African photography, beginning with the earliest daguerreotypes in the middle of the 19th century, and essentially ending with contemporary art photography. It doesn't pretend to be exhaustive; the material simply isn't there.

The vast majority of the photographs in between are of documentary and historical interest, press (mostly propaganda) photos during and after various struggles for independence, and an astonishing number of extraordinary studio photos that silently show the passage from colonialism through the first heady days of independence and into an often bleak present.

The show is intended to celebrate the variety of African life and art, and to fight both the clichés of colonialism and of postcolonialism.

More than anything else, what it leaves behind in the viewer's mind are all the faces of Africa, the frightened and the proud, the dreamy and the desperate, the drunk and the cool — all the hope and all the misery. For all these reasons, it is deeply interesting.

The show concentrates on sub-Saharan Africa, with a preponderance, not surprisingly, from French-speaking Africa.

Some of the very earliest African photographers, according to the show's curators, were freed slaves who came back with daguerreotype equipment. Missionaries photographed for the benefits of do-good societies back home. But photography for Africans really got its start through European studios set up in the major African ports or trading towns, where Africans learned the craft and the trade working either as assistant photographers or even as processors.

Much of African photography outside the studio, even today, has come from itinerant photographers who produced ID pictures, suddenly a crucial commodity with the bureaucratic modernization of the continent. A lot of the story is the ingenuity of photographers working with ancient equipment (and some of the photographers made money on the side repairing cameras), and until fairly late in the game convincing sitters, many of whom were Muslims, that what they were doing wasn't evil.

Not much is known about many of these photographers. Some of the archives — like those of Seydou Keita in Mali — are well preserved, others have nearly disappeared; some have been rediscovered recently.

Among the studio work, the sumptuous portraits of Mama Kasset in Dakar, Senegal, stand out. Here the local bourgeois came in their finest clothes and vamped it up for the camera.

In Mali, Keita, perhaps Africa's most famous living photographer (he is retired), produced elegant and often humorous portraits — sensuous women, very cool guys.

By an unknown photographer, taken in Saint-Louis, Senegal, about 1930.

CORNELIUS Yao Augustt Azaglo from Ivory Coast gets a substantial showing here, plain, stark portraits of extraordinary faces almost expressionless, some etched with pain, staring straight into the lens.

Ramilijoana's sleek portraits in Madagascar between the world wars show us a world that seems caught in amber, elegant women with parasols and waved hair.

Abderramane Sakaly in Mali in the 1960s and '70s shoots portraits against the blandest of backgrounds, and manages to turn what are almost identity pictures into real human studies. Here are the slick brothers with their shades, and the cameo profile of beautiful women.

From the 1950s on, many photographers portrayed the slightly alarming nightlife of various African capitals: Philippe Koudjina in Niger, Depara in Zaire. There is an air of snatched insouciance here, guys and gals in their best Saturday night wear, and always the colonial giveaway — in one case, a French Solex motorbike. There is also a feeling of danger, a feeling that beyond the brightness of the flash is a great darkness.

Much more recent are the color photographs in Cape Town of Zwelethu Mthethwa, shown here with interiors where the wallpaper is wrapping paper for mass-produced products — Lifebuoy repeated 100 times, or Bastille Brandy. The terrible sadness of these shantytowns is somehow heightened into art by the exuberant colors.

At another remove are the pictures of Billy Monk, who photographed the sordid nightlife of South Africa. Monk, like so many others in this exhibition, is something of a mystery. Described as a part-time bartender, part-time diamond miner, he was shot to death some time in the early 1980s.

"L'Afrique par elle-meme," Maison Europeenne de la Photographie, Paris, until Aug. 23.

BOOKS

EXPLAINING HITLER: The Search for the Origins of His Evil

By Ron Rosenbaum. 444 pages. $30. Random House.

Reviewed by Michiko Kakutani

IF you thought the one historical figure people could reach a consensus on was Adolf Hitler, you'd be very wrong.

Given the growing relativization of history writing and the constant intramural infighting in academia, given the growing preference of scholars for seeing history as a product of abstract social forces rather than the acts of individual men, historians have left us not with one Hitler, but a multitude of Hitlers.

There's the demonic Hitler, the very embodiment of unaccommodated evil and irrational hatred, of course. But as the journalist Ron Rosenbaum points out in his fascinating new book "Explaining Hitler," there is also the small-time con man Hitler, the statesman-like Hitler, the gemütlich Hitler, and the dithering, Hamlet-like Hitler, who had a hard time making up his mind whether or not to exterminate the Jews.

The historian Hugh Trevor-Roper gave us an irrational but sincere Hitler, "convinced of his own rectitude," while the Hitler biographer Alan Bullock gave us a calculating, cold-blooded Hitler *who came to believe his own* Machiavellian act.

While Daniel Goldhagen, the author of the best-selling book "Hitler's Willing Executioners," suggests that Hitler was little more than a midwife to the war against the Jews, the writer Milton Himmelfarb takes the position of "No Hitler, no Holocaust."

What all these different Hitlers represent are different ways of looking at evil, at free will, at personal responsibility and at the workings of history, and in "Explaining Hitler," Rosenbaum not only re-examines a myriad of scholarly writings on the Nazi leader, but also attempts to explicate the explanations.

In doing so, he shows how historians, philosophers and psychologists have projected their own agendas, preconceptions and yearnings for certainty onto their portraits of Hitler, and how their portraits in turn mirror broader cultural assumptions.

Unlike many intellectual histories, "Explaining Hitler" does not confine itself to simple textual analysis, but showcases Rosenbaum's reportorial skills with acute, sometimes edgy interviews with such controversial thinkers as Claude Lanzmann, the creator of the movie "Shoah"; George Steiner, the critic and author of the much debated novel "The Portage to San Cristobal of A. H.," and the Hitler apologist David Irving.

The resulting book, portions of which originally appeared in The New Yorker, is a lively, provocative work of cultural history that is as compelling as it is thoughtful, as readable as it is smart.

As Rosenbaum observes in this volume, "powerful tendencies in contemporary scholarship have cumulatively served to diminish the decisiveness and centrality of Hitler's role."

ON one hand, many scholars have *argued that larger, more profound* forces of history and society are to blame for the Holocaust.

Goldhagen suggests that by the time Hitler came to power in 1933, anti-Semitism had already made Germany "pregnant with murder"; the scholar Hyam Maccoby contends that Christianity, with its anti-Semitic stereotypes, had by World War II created a craving for vengeance against Jews; and Richard Breitman, editor of "Holocaust and Genocide Studies," argues that the traumas sustained by Germany in the early years of the century forged a desperation that Hitler was able to channel against the Jews.

At the same time, hard-core Freudians and psycho-historians intent on trying to map Hitler's psyche have come up with an assortment of explanations that effectively let Hitler off the hook, using what Rosenbaum calls "the Menendez defense" to depict him, astonishingly enough, as a victim.

The famous psychoanalyst Alice Miller portrays Hitler as a victim of an abusive father; Erich Fromm shows him as the victim of an overbearing mother. Other thinkers have attributed Hitler's pathology to a "primal-scene trauma," to a missing testicle, to a sexual secret that "isolated him from the normal love of human beings," to a physical illness and to a self-hatred stemming from his suspicion that his grandmother had a Jewish lover and that he himself was "tainted" by Jewish blood.

Even more perversely, other scholars have tried to come up with a single Jew as the true source of Hitler's metamorphosis from a run-of-the-mill malcontent into an anti-Semitic monster.

Their suspects include a Jewish prostitute *who might have given him syphilis*, a Jewish music teacher or musician who might have been involved with Hitler's beloved half-niece Geli Raubal, and a Jewish doctor who may have bungled the treatment of Hitler's mother, who died in 1907 of breast cancer.

These theories make clear how dangerous the effort to explain Hitler can be — how it can result in a rationalization of his actions, exempting him from responsibility for his crimes.

It can also provide us with false consolation. Those theories that suggest that Hitler was a madman completely off the charts of human behavior allow us to shrug him off as a horrible anomaly, while other theories, which suggest that he was not consciously evil, enable us to ignore his darkest implications about human nature.

At the same time, Rosenbaum argues, repudiating any effort to understand Hitler or the Holocaust can lead to a process of mystification that effectively shields the murderers from responsibility for their crimes and thwarts all efforts to learn from the horrors of the past.

In analyzing the consequences and implications of various efforts to explain Hitler, Rosenbaum himself has made an important contribution to our understanding not just of Hitler, but of the cultural processes by which we try to come to terms with history as well.

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ART

How Monet's Garden Grows: A Record

By Souren Melikian
International Herald Tribune

LONDON — As Monet's close-up view of his garden at Giverny painted in 1900 inched its way up to £19.8 million ($33 million) at Sotheby's, applause broke out in the room as if the attendance had been witnessing some Olympic record.

A record it was as far as Monet is concerned, and yet there was nothing truly surprising about it, even if that sounds easy to say after the event. Like much else in that remarkable sale on Tuesday night, for which credit largely goes to Michel Strauss, the record is an indicator of what the future holds for a market where supplies are dwindling.

Simply put, the painting was admirable. The tightly knit composition, the powerful thrust to its elliptical movement, and the shimmery effect in dots and strokes of red, green and yellow combine to make it one of the masterpieces from Monet's second phase, when, having exhausted the resources of Impressionism, the artist began to transcribe colored perceptions of the world that brought him ever closer to abstraction.

This is perhaps the greatest landscape from that period seen at auction since the 1960s. A variant of the garden view sold at Christie's a decade ago came close enough, but this one was further enhanced by its mint condition. Aware that this might truly be a last-chance opportunity, anonymous buyers bid furiously over the phone, running it up to a huge price that nevertheless makes sense in the market as it stands today. Other prices of the same order will undoubtedly be paid over the next few years as works of a comparable caliber in terms of glamorous signatures, beauty and condition come up.

We have now reached the last phase of a market cycle that began in the mid-18th century. For most of that time, art sold within the same circles, primarily recruited from the upper and middle classes, and within closely defined geographical areas — Western Europe, and, in this century, North America. In the past three decades, the social recruitment has drastically changed, the old establishment giving way to new money. Simultaneously, geographical boundaries have broken down. Buying art, which used to be a passion for the chosen few, has become a game for the whole world.

Not only are supplies widely scattered but, with the multiplication of museums, they are drying up. Category after category has vanished from the auction scene. Now it is the turn of Impressionism to make a slow exit. In the process, a fight to the finish will increasingly be waged over the few major works that may yet turn up, sending them sky high.

A very different fate, however, may await major works that require a high level of artistic sophistication from the viewer, as shown by the other remarkable work in Sotheby's sale, a study of young girls getting ready for the dancing class, drawn in pastel by Degas around 1882. This is, literally, a museum work. The Art Institute of Chicago owned it from 1937 to 1990 when it was consigned to Sotheby's New York and sold for $4.95 million.

Yet, on Tuesday, the marvelous pastel nearly failed to find a taker. Henry Wyndham, chairman of Sotheby's Europe, was about to bring down his hammer when, after a long wait, a dealer who had his mobile phone glued to his ear, suddenly raised his hand. Despite Wyndham's insistent calls, there was no further bidding. The dealer thus got the Degas on behalf of a client on a single bid, for £2.64 million. In today's market, the figure almost seems modest.

The masterly pastel was not the only work that sold with difficulty. So did Modigliani's portrait of a Polish émigré called Baranowski, now a rarity even if this one suffers from clumsiness. But that is not unusual in Modigliani's art. It is simply that at £4.29 million, enthusiasm is more easily checked in.

The Monet aside, the only other picture that triggered determined competition was Edvard Munch's portrait, "Ibsen in the Grand Café." Done around 1898, it is conventional in the handling of the sitter's face and modernist in the rendition of the background. Very dark, it would probably have failed to sell a few years ago. On Tuesday, it was treated as a double icon — the portrait of a famous writer, the work of a famous painter — by two bidders, including a Norwegian dealer, who ran it up to £1.76 million.

Otherwise, one could sense a curious mix of interest and reserve from the prospective buyers. The works offered were just not great enough and the estimates often a bit too high. A landscape painted by Cezanne around 1878-1879, rather too simple, only made it to the lower estimate, £1.29 million. Another Cezanne, an oil sketch of bathers, missed it by a narrow margin as it sold for "only" £934,500. This is hardly surprising — the price is huge for a small study only 20 by 33 centimeters (7⅞ by 13 inches).

When it came to a Picasso, "The Binoculars," a rare abstract work from the master's earliest Cubist phase painted in 1910, no one responded. Wyndham called out "£260,000" and brought down his hammer leaving it unsold, far below the estimate set at £350,000 to £450,000 plus the sale charges. This too is a small study (22 by 27 centimeters). Interesting but austere, this is a picture for a connoisseur or a sophisticated small museum, not for the very rich new buyers who look for big formats with a flashier quality. At that price level, the Picasso sketch is virtually without a public.

Its failure highlights the underlying problem of the art market in its final phase, possibly over the next three or four decades before supplies become so thin that they will cease to feed an organized market. As rarity increases, the cream of the cream goes wildly up but continues to be sought after. The rest of what is available is pulled up, almost mechanically. Eventually, it reaches a point where it is too highly priced to be tempting, even for those who can pay.

Up to a point, frustrated collecting instincts find an outlet in substitution products. A Pointillist landscape by Charles Angrand who could be charming, but was not the second Seurat he would have liked to be, went far above its estimate as it ended up at £485,500. A fascinating still life with a touch of Cubist stylization by Alexander Archipenko brought £584,500, a huge price for a freak work — Archipenko was primarily a sculptor, not a painter.

As all similar side avenues get feverishly explored, the financial risks increase. Degas's Pre-Impressionist work, long neglected, then rediscovered in the 1980s, goes up and down. The portrait of Paul Valpincon that cost $82,500 at Christie's New York in 1982 and £61,600 at Sotheby's London in 1985 made only £117,000 this week — less in effective buying power. Daumier's drawing of his studio, sold for $253,000 at Sotheby's New York in 1986, failed to find a taker this week. In the terminal, protracted phase of the market, those who know how to recognize a great work and assess its potential will build up fortunes. Others who may lack the required knowledge of art, aesthetic and historical, stand to lose substantial amounts.

Detail of Modigliani's portrait of Baranowski, a Polish émigré, 1918.

The 'Black Legend' of a King

By Al Goodman
New York Times Service

SAN LORENZO DE EL ESCORIAL, Spain — Not only did King Philip II lose the invincible Armada in 1588 while trying to invade England but he also came to be known, in most history books, as the epitome of the cruelty and intolerance associated with imperial Spain.

He promoted Catholicism at sword point against Protestants and Turks. His armies at their zenith controlled the largest empire of the era, a swath of territory so vast, from Europe to Asia to the Americas, that yes, the sun never set upon it.

But now, on the 400th anniversary of his death, the government has organized three major art exhibitions to portray a different side of Philip, as a Renaissance connoisseur of art and literature, a bon vivant in his youth who loved royal parties and a devoted family man.

"A monarch who collected Titian and Bosch couldn't be such a demon," said Juan Martinez, an art expert on the exhibition team.

Philip collected about 2,000 paintings, including the 40 by Titian and six by Hieronymous Bosch. He also collected 5,000 books, far more than his Spanish royal predecessors did.

The commemoration promises just as full and fair a look at Philip, addressing his "lights and shadows." The first exhibition, "The Hispanic Monarchy," opened on June 1 and runs through Oct. 10 at El Escorial, the mammoth granite palace and monastery he built just northwest of Madrid.

The two others begin in October: "A Prince of the Renaissance" at the Prado, and "The King's Land and Men" at the Villena Palace in Philip's native city of Valladolid. More than 500,000 visitors are expected at the three shows.

El Escorial, with four sharply pointed towers at its corners, provides a powerful backdrop for the first show. It was here that Philip received the bad news about the Armada, and here that he died in Spartan quarters at age 71 and was buried.

The exhibition includes 514 items, including paintings, books, documents, and jewelry recovered from sunken Armada ships, the latter on loan from the Ulster Museum in Belfast and being shown in Spain for the first time.

There are two portraits of the proud, steely-eyed young Philip wearing black armor with gold inlay, one by Titian in 1551 and the other by the Spanish painter Antonio Moro in 1557, the year after he took the throne. Each speaks to Philip's power, while the numerous religious icons on view show his devotion to Catholicism.

Some Spanish conservatives defended him as a model ruler against his numerous detractors, particularly English and Dutch Protestants who spread what became known as the "black legend," focusing on his oppressive tactics in Europe and the New World. That view was disseminated in books of the period, and six such volumes are part of the show.

But Henry Kamen, an English historian who has recently published a biography of Philip, does not predict a quick revision of attitudes.

"There is a rethinking and that is the best one can ask for," Kamen said. "One cannot change views overnight."

And perhaps not even in 400 years.

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Key U.S. and French Officials Agree on Dangers in Kosovo

But Holbrooke and Vedrine Stress New Effort

By Craig R. Whitney
New York Times Service

PARIS — Key American and French nfficials vowed Friday to keep pushing for a diplomaōc soluōon to head off a wider war in Kosovo, hut they agreed that chances for success in the Balkan province were uncertain.

"The United States is intensifying its effort, but this issue is going to be decided on the ground in Kosovo," said Richard Holbrooke, one of President Bill Clinton's special envoys to the Balkans, as fighting between Serbian forces and secessionisi ethnic Albanian rebels continued.

Mr. Holhrooke, wbo has been nominated as chief U.S. delegate to the United Nannns, spoke before leaving Paris for Belgrade to start another round of talks with Slobodan Milosevic, the president of Yugoslavia, and with Ibrahim Rugova, the poliōcal leader of the Kosovo Albanians.

Mr. Rugova is regarded by American and European diplomats as the key ethnic Albanian figure in the negotiations.

In an interview here, Mr. Holbrooke said that Western efforts to press Mr. Milosevic to order Serbian forces to stop attacking the ethnic Albanian rebels were clouded by uncertainty about who spoke on behalf of the lighdy armed and poorly organized rebel Kosovo Liberation Army.

The Kosovo rebels have seized about a third of the province in the last few months.

The rebels' goal for Kosovo, which enjoyed wide powers of self-government within Serbia until Mr. Milosevic abolished its autonomy in 1989, is independence.

But this is a goal that no Western country supports.

Mr. Holbrooke said he told that to rebel commanders he met near the provincial capital, Pristina, last week.

The principal American trouhleshooter in the Balkans, Robert Gelhard, had a separate meeting in a Western European country a week ago with two exile leaders purporting to speak for the rebels.

"The meeting did not estahlish that the people with whom he met had authority or influence over the men with guns," Mr. Holbrooke said Friday. "How do you negotiate a cease-fire and a withdrawal of forces when you don't know you are in contact with the people in control?"

The French foreigo minister, Hubert Vedrine, who conferred Thursday with Mr. Holhrooke for an hour oo strategy to keep the fighting from spreading into Alhania and Macedonia, said Friday: "A catastrophe scenario is quite possihle despite all our efforts."

But Mr. Vedrine said that the threat of NATO air strikes against Serbia had kept President Milosevic, so far at least, from ordering a full-scale military assault to retake rebel-held areas.

Western officials estimate that Belgrade, which dominates what remains of Yugoslavia — Serbia and Montenegro — has 30,000 troops, 25,000 heavily armed police officers, dozens of antiaircraft missile batteries and heavy artillery and armor in the province.

Of Kosovo's populatioo of 2 millioo people, at least 90 perceot are ethnic Albanian.

"I don't know how we will resolve the dilemma," Mr. Vedrine said at a breakfast with American and British reporters. "If Milosevic orders a big operation, we cannot remain inactive."

France, a NATO ally, supported contingency planning last mooth by allied defense ministers to prepare for the possihle use of force to stop the fighting, Mr. Vedrine said. But he added that the United Nations Security Council should give approval before the allies acted.

Both Russia and China, permanent members of the Security Council with the power to veto decisions, are opposed to military intervention in Kosovo.

Mr. Vedrine could not say Friday what France would do if Serbia unleashed a full-scale attack and the Rnssians vetoed a Security Council resolution authorizing NATO to act.

U.S. officials have said United Nations authorization would be desirahle but they do not think it would be indispensable.

Russia has worked with the United States, Britain, France, Italy, and Germany in the group of nations monitoring the cease-fire that Mr. Holbrooke brokered in Bosnia in 1995, and it has urged President Milosevic to pull back his forces in Kosovo.

"If we have to use force, and we may, and if we went in without United Nations anthority, we would oot be in a position to insist that Russia, China, Nigeria or other countries cannot use force withont United Nations authorization," Mr. Vedrine said.

But be added he did not believe either Russia or China had said their final word yet on Kosovo.

Mr. Vedrine and other French officials said they had pushed allied military planners in Brussels to come up with as wide a range of military options as possible to keep up diplomatic pressure.

"If the only opōon was to bomb strategic Serbian military and communications sites, throughout the country, the next day the Kosovo Liberaōon Army could declare Kosovo a sovereign republic, Albania could join in snpporting it, and the war could spread to Macedonia and beyond," Mr. Vedrine said.

"The use of force could provoke exactly the opposite of the desired result."

"There is no simple military option we haven't taken simply becanse we were afraid to do so," Mr. Vedrine insisted, leaving diplomacy as the only alternative.

"What we have to do is keep Rngova afloat and in a dialogue with Milosevic," he said.

The goal of the dialogue, Mr. Holbrooke said, was restoring autonomy to Kosovo and stopping the fighting.

He said that Christopher Hill, the U.S. ambassador to Macedonia, would cootinue to shuttle betweeo Serbian and ethnic Albanian officials to facilitate negotiations.

Face-to-face talks started briefly in May hut were suspended after Serbia started attacking rebel positions.

The rebels, apparently financed and armed by large ethnic Albanian communities in Germany, Switzerland, France and Italy, did better than Mr. Milosevic expected, Western officials believe.

"If we fail to prevent this war, at least, unlike Bosnia, we will have made an all-out effort, including a U.S. diplomatic effort, close coordination with the contact group, and NATO involvement, none of whicb existed in Bosnia in the early 1990s," Mr. Holbrooke said Friday.

"If they had, we could have prevented the tragedy there. There's no dishonor in a full-court press in Kosovo."

■ Serbs Said to Break a Siege

Serbian security forces recaptured a key crossroads area in Kosovo on Friday, hreaking a siege of more than two weeks hy ethnic Albanian militants, The Associated Press reported from Pristina.

The retaking of Kijevo was reported by both Serhian and ethnic Albanian sources and confirmed by Western diplomats.

Journalists were not immediately allowed into the area.

Fabrizio Bensch/Reuters

The NATO secretary-general, Javier Solana Madariaga, arriving Friday at Bellevue Castle in Berlin for the Bertelsman Conference to discuss political issues, primarily the conflict in the Serbian province of Kosovo.

With Misgivings, Austria Guides Europe to East

By Barry James
International Herald Tribune

VIENNA — For Austria, enlarging the European Unioo to the east — the task for which it assumed oversight when it took over the EU presidency this week — is no abstraction.

It shares 1,300 kilometers of frontiers with countries that have applied for membership in the EU. A large swath of former Communist territory lies to the West of Vienna, not just to the East. The border with Slovakia is a day's walk away from Vienna. And 5 million people in the candidate countries are within commuting distance of Austrian cities, where wages are often oearly twice as high as at home.

Polls show that a majority of Austrians oppose enlargement, a process that the EU formally initiated this year. They fear that it will cost them jobs and bring a surge of immigrants, insecurity and crime — like the apparent gangland bombing in Budapest this week and a receot mafia shoot-out in Vienna.

But all sides in the left-right coalition government agree that enlargement is inevitable, and that the only question is not if hut when. The EU agreed earlier this year to opeo accession negotiations with Estonia, Poland, Hungary, the Czech Repuhlic, Slovenia and Cyprus. Five other countries — Lithoania, Latvia, Slovakia, Romania and Bulgaria — also are candidates.

"It is not only the enlargement but the completion of Europe," said President Thomas Klestil. "It is a moral ohligaōon. It is politically important. It means that we will no longer be on the border. We will be at the heart of Europe again."

> **Politicians see a 'moral obligation' to expand the EU.**

But Mr. Klestil acknowledged that he and the government faced a difficult task in overcoming public skepticism, and in persuading people that reuniting countries that were part of the Austrian empire for hundreds of years would be like the reunification of a divided family.

"We have profited more than any other conntry from the fall of the Iroo Curtain," he said. "We have created 60,000 jobs and set up 15,000 joint ventures. Bnt how do you tell this to the border regions, which already have a lot of prohlems? Just across the border, wages are 75 percent lower. Many factories already have closed and gone to the other side. The balance is positive, hut this is hard to explain to the guy who's just had to close his shop or has lost his job."

Mr. Klestil's assessment is shared by leading bankers, industrialists and politicians, even if it is contested by much of the press and the far-right Freedom Party.

Since Austria joined the EU about three years ago, it has created 110,000 jobs and increased its trade with the East to 6 hillioo schillings ($468 millioo) a year from 3.5 billion schillings, said Andreas Khol, parliamentary leader of the conservative People's Party.

"We have a deficit in our trade balance with the rest of the EU and a huge surplus with our neighbors," he said. With enlargemeot, he added, "we will invest there and they will work here."

But enlargement poses the real question of how Austria will manage to preserve its high standard of living and its low unemployment rate of 4.5 percent. During Austria's six-month hold on the EU presidency, which rotates among the members, political leaders here will seek support in obtaining a fairly long period restricting the free movement of labor from the candidate countries.

Though not everyone agrees with him, the foreign minister, Wolfgang Schuessel, says that the prospect of large-scale immigration is not the real prohlem. "People in this part of the world tend to stick to their hometowns and villages," he said. The real problem, be said, is that there is a population of some 5 million within an hour's drive of Austria's major cities. "We oeed a transition period of controlled access to our labor markets," he said.

Mr. Schuessel said this period should be used to help build up the economies of the candidate countries to reduce the enormous disparities in wages and living standards. This would be to the other countries' benefit as well, he said, because they need to prevent the emigration of their technicians, doctors and scientists.

Such a course would also lessen the need for Austria to cut the cost of its own bureaocracy and its extensive welfare system. This will be a predominant theme during the Austrian presidency because of the pressure to align taxes in the run-np to the introduction of the European single currency in January.

Chancellor Viktor Klima said the EU needed to harmonize its taxation laws to ease the tax hurden on labor, which is regarded as contributing to unemployment by reducing the incentive to work. "This is important for the international competitiveness of Europe," he said.

But this would imply a shift of taxation toward corporations. Mr. Klima snggested that this need not necessarily be an added burden on most businesses, because countries would be able to raise income hy closing loopholes rather than raising rates.

Mr. Klima said the government would seek a common minimum level of corporation taxes for EU members, which senior diplomats here said was not a position unanimously favored in the EU, or even in Austria. If accepted, it could mean that some countries, such as lightly taxed Ireland, would have to raise corporate taxes. "This would be a difficult problem," acknowledged the finance minister, Rndolf Edlinger.

Joerg Haider, the leader of the Freedom Party, said the government wanted to revise taxes upward rather than reduce a vast bureancracy — which has, for example, 28 organizations to handle pension funds — and cut state expenditure.

Lorenz Fritz, secretary-general of the Federation of Austrian Industry, agreed that Austria had been ahle to reduce its budget deficit to the level required to join the single currency not by cutting government spending, which totals nearly 45 percent of gross domestic product, but by relying on economic growth — which, of course, works only as long as the economy keeps growing.

Mr. Fritz said that labor cost differentials were not the only factor in whether Austria could remain competitive within the EU as it enlarges. Austria could prosper under the new arrangements as long as it keeps an innovative and technological edge, he said.

FLORIDA: *Thousands Flee Fires*

Continued from Page 1

Many fireworks displays planned for the Independence Day holiday Saturday also were canceled for fear they might spark more wildfires.

Volusia and Brevard counties were experiencing the worst of about 1,600 fires of varying sizes and degrees of containmeot that raged around the state. With neither rain oor lower temperatures in sight, said the situation may worsen before it gets better, state officials said.

Scarce rain and record high temperatures this year have caused the worst drought in 50 years, making Florida vulnerable to fires started by lightning strikes or arson. On average, such wildfires burn about 100,000 acres of Florida each year, state officials say. But since June 1, fires have hurned more than 280,000 acres, mostly in the northern and northeastern areas, the officials said.

Despite the danger, no deaths and only about 50 injuries have been reported. But after hurning mostly hrush, forest and commercial timber tracts, this week the fires have spread to people's doorsteps, causing the largest evacnations so far and tremendous dislocatioo for both residents and tourists.

Exhausted firefighters have begged Governor Lawton Chiles to provide additional equipment. But Mr. Chiles, on a tour of the ravaged landscape, said Thursday with regret that every state resource already had been put into service. And weather forecasts for the holiday weekend, usually one of the husiest of the year for Florida tourism, offered little prospect of natural relief.

"Florid has never had fires like this before, never had a situation wbere we're fighting the weather like this before," Mr. Chiles said during a tour of the emergency operations center in Daytona Beach, noting that every available hulldozer and water-bearing helicopter was at work.

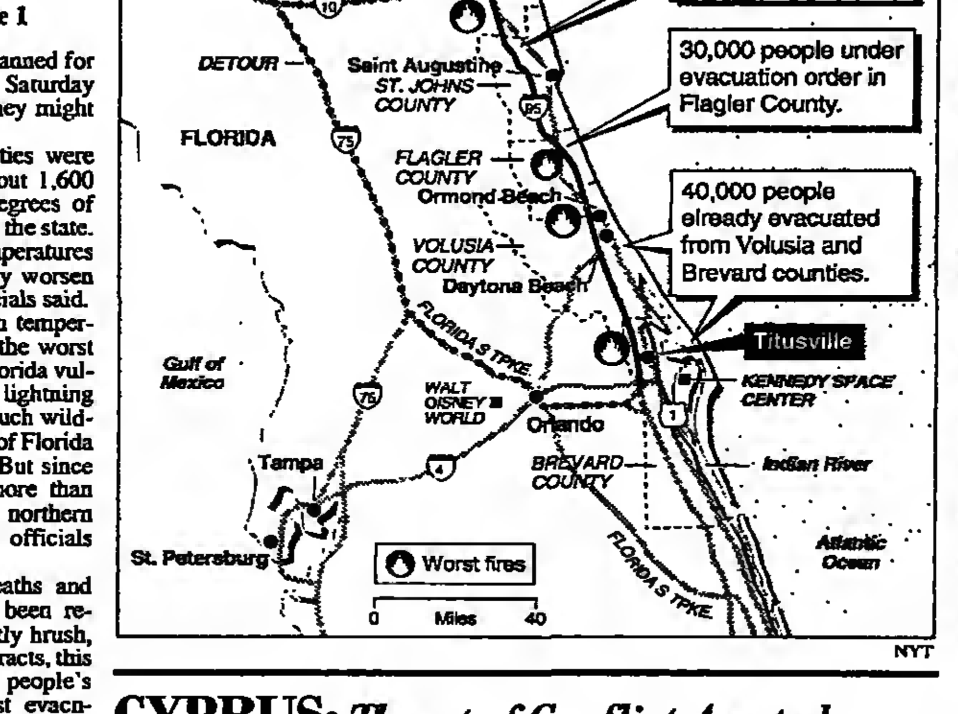
"We're having 90 to 100 new fires a day," be said.

Meanwhile, tourism officials scurried to reassure vacationers — among the nearly 4 million who visit Florida each July — that they could reacb their destinations in the state.

"There are alternate routes to all areas of Florida," said Robin Knight, a spokeswoman for Visit Florida, the state tourism department. "All cities are still open, all beaches, all attracōons for visitors. There's no risk going there."

Anto-racing fans were bound to be disappointed, however, with the postponement of the Pepsi 400 race at Daytona International Speedway.

The president of the speedway, John Graham, said the postponement until Oct. 17 was "the right thing to do." The 39th annual Daytona race was to have been the first nationally televised and the first beld under lights at night, an effort to increase attendance hy avoiding the temperatures that are high even during a normal Florida summer. *(NYT, AP, WP)*



CYPRUS: *Threat of Conflict Averted*

Continued from Page 1

prove air-traffic controls over the Aegean and cut the risk of incidents between Greek and Turkish warplanes.

The need to improve confidence about surveillance capahilities in Athens and Ankara will also be served hy the U.S.-built frigates, all of which can carry advanced radar and other detection equipment. These warships' main mission would be tn provide surface-to-air defenses.

Turkey has challenged the Greek Cypriots' move to acquire ground-based missiles because it says they would threateo Turkey's ability to move rapidly, if necessary, to protect Turkish Cypriot territory oo the island, which has been divided since 1974.

In the latest muscle-flexing exercise, warplanes were stationed this week, apparently temporarily, on opposing sides of the island hy Turkey and Greece. The Greek fighter-bombers used an airstrip that has been lengthened hy the Greek Cypriots in preparation for delivery of the missiles by Russian cargo planes.

Military tensions have been rising between Greece and Turkey over Cyprus and over their own islands in the Aegean Sea for months, especially after a European Union decision this year to make Cyprus a candidate for early EU membership while telling Turkey that it could oot yet be considered.

NIGERIA: *For a Change, Good News for Africa in a Small Step Toward Democracy*

Continued from Page 1

Pope John Paul II appealed to General Abacha to free the political prisoners and got exactly nowbere.

The Clinton administration sent signals to General Abacha that it would not accept as a reform measure his plan to run as a civilian in elections planned this August.

But then Mr. Clinton grew so frustrated with the lack of movement that he said in Cape Town, "If he stands for election, we hope he will stand as a civilian."

That apparent concession hrought no constructive response, either.

Then General Abacha died unexpectedly of a heart attack nn June 8, to be succeeded by his colleague in the ruling junta, General Abdulsalam Abubakar.

And General Abubakar, to the surprise of Nigerians and diplomats alike, proved in many ways to be different from his predecessor.

Sensing an opening, the UN secretary-general, Kofi Annan, visited Nigeria this past week, met with Mr. Ahiola in jail on Tuesday and said Thursday that "all poliōcal detainees will be released and the government will make an announcement at the appropriate time."

Mr. Annan also said that Mr. Abiola was ready to relinquish his claim to the presidency.

Diplnmats in Washington and London suggested that the secretary-general had reiterated to Mr. Ahiola the private urgings of Western nations, including the United States, that he pledge to cooperate with General Abubakar as part nf a face-saving arrangement that would grant amnesty to all political prisoners.

A high-ranking British delegation, headed by Tony Lloyd, a minister in the Foreign Office, visited Nigeria last weekend, and an American group, headed by Undersecretary of State Thomas Pickering, is to head there this weekend.

"This is a carefully orchestrated process," a European official said, "not a deal exactly, but everyone understands the transaction here.

"You might call it a political cease-fire leading to the release of bostages."

Sn far, General Abubakar has managed to hold the junta and the officer corps together, although some analysts in the United States said they feared that many officers were less committed than their leader to national reconciliation.

Presuming that the prisoners are released, General Abubakar's next major task will be to restore not only the army's self-respect but also its standing in the country.

That will not be easy. General Olusegun Obasanjo, one of the prisoners already released by the new government, said recently that the army had become "a liability to the nation," with "no credibility."

The military is one of the few truly national instituōons in Nigeria, where the Yoruba in the southwest, the Hausa in the north and the Ibo and others in the southeast have often been at odds.

Obafemi Awolowo, one of the country's leaders in the early postcolonial days of the 1960s, once said: "West and East Nigeria are as different as Ireland from Germany, and the north is as different from either as China."

These differences greatly complicate matters. Mr. Abiola is a Yoruba, and the army, as always, is dominated by Hausa officers.

EU Unveils Tough Rules To Cut Auto Emissions

By Marlise Simons
New York Times Service

BRUSSELS — People in Europe's car-filled cities are likely to start breathing a little easier in the next few years because of tough new anti-pollnoōn rules announced in Brussels this week by the 15-member European Union.

The rules, which ban the use of leaded gasoline, require many car engines and all fuels to become cleaner by 2000. Even tougher standards will go into effect in 2005. With the changes, governments hope to cut as much as 70 percent of the pollutants in emissions from cars, which regularly foul the air in some of Europe's most beautiful city centers.

Car owners in Europe have to contend with gasoline that is often taxed up to 75 percent and is among the most expensive in the world, yet heavy traffic clogs most cities and often cloaks them in an ozone haze.

But the European Union has set broad air-quality standards for the next decade that are among the strictest in the world, and the new rules are part of the strategy for achieving them.

With these new mles, environmentalists feel somewhat vindicated: they have long contended that the know-how exists to let millions of city people breathe cleaner air, but the political will has beeo lacking.

The cleaner engines and fuel should drastically cut back the mix of nitrous oxides, carbon monoxide, hydrocarbons and soot.

The anti-pollution agreement was the result of long and often difficult negotiations among representatives of industry, governments and environmental groups.

Compromises were made oo all sides. The parties agreed that all leaded gasoline would be banned from 2000, with one exception. Owners of vintage cars will be allowed to boy small quantities of leaded fuel, which the older cars need to run. Sulfur content must be redoced in gasoline and diesel fuel. New cars must be fitted with a compnter that monitors emissions and warns when there is a failure in the catalytic converter.

The first phase will apply to passeoger cars and small trucks. Regnlations for large trucks and huses will follow.

The changes are expected to raise the price of cars from $300 to $600 in the next two years. Carmakers will oeed to invest about $65 billion to meet the new standards, according to European Unioo officials.

The oil industry estimates it will cost $35 billion to put the program into effect, with most of the money being spent in southern Europe, where many refineries have not kept up with new technology. Most of the higher costs are expected to be passed on to consumers.

"We shall have cleaner air in our cities and fewer and less severe ozone episodes in the summer," said Ritt Bjerregaard, the EU environment commissioner.

One of the toughest fights, but one that brought environmentalists and carmakers together, was over the permissible levels of sulfur, a pollutant that contributes to heat haze and breathing problems. Carmakers contended that improved engines and converters would not cut pollution from exhausts unless the sulfur level of diesel fuel and gasoline was set at a maximum of 30 parts per million.

But officials from the south, inclnding France, Greece, Portugal and Spain, fought against lowering the sulfur content quickly, saying the cost to refineries would be too much too soon. They won with a rule that allows 50 parts per million of sulfur until 2005.

This move angered the more environmentally committed North Europeans, who said the southern officials were protecting and rewarding their often antiquated oil refineries.

"We do have a breakthrough," said Frazer Goodwin of the European Federation for Transport and Environment. "Bnt we could have done moch better. If you want to tackle air quality qnickly you improve the fuel, hot some governments are unwilling to push their refinery industry."

Herald Tribune INTERNATIONAL

BUSINESS/FINANCE

SATURDAY-SUNDAY, JULY 4-5, 1998

South Korea to Sell Off Stakes in 11 Companies

Seoul Hopes to Earn Up to $8 Billion by 2000

By Don Kirk
International Herald Tribune

SEOUL — The government announced a sweeping program Friday for privatizing a wide range of industries, including Posco, the showcase Pohang Iron & Steel Corp.

The Planning and Budget Commission said the government's shares in Posco and four other state-owned companies and their subsidiaries would go on sale immediately. Another six would be privatized over a four-year period, with the government hoping to earn as much as $8 billion by the year 2000.

The announcement set off a wave of speculation about how and exactly when the government would carry out the program — and who would be the most interested buyers.

Offering no specifics, the commission chairman, Jin Nyum, said the government would sell "stocks and assets or issue of exchangeable bonds and depository receipts." The timing, he said, would be decided later "to maximize the value of the privatized corporations."

The news that the government would sell its entire 26.7 percent stake in Posco, the world's second-largest steel producer after Nippon Steel Corp., shocked workers at the company's headquarters here. "It's a small revolution," said Lee Jong Sung, an assistant manager. "We hardly expected that."

The plan calls for the government to withdraw restrictions on individual as well as overall foreign ownership of Posco by the year 2001. The first stage of the plan calls for raising the limit on individual ownership of Posco shares from 1 percent to 3 percent while foreign ownership is held to 30 percent.

Analysts said Posco, founded 30 years ago as the country's single most prestigious industrial project at the height of the rule of President Park Chung Hee, could fall under foreign control. Even now, said Hwang Ki Doo, steel industry analyst at W.I. Carr securities, foreign investors "could form a consortium and completely take over the company" as soon as the stocks go on sale. Shares in Posco increased 3.55 percent Friday as word spread of the impending announcement.

The decision to sell the government's stake in Posco and other companies, some of them criticized as extremely inefficient, reflected not only the government's need for cash but also an evolving free-market philosophy.

Advisers to President Kim Dae Jung have been urging him ever since his election campaign last year to get rid of government equity in state companies. Among those calling for privatization was a former Posco chief, Park Tae Jun, a key political leader.

"It's great, but it's kind of an inevitable decision," said Song Byung Jun, a director at the Korea Institute for Industrial Economics and Trade. "We can make money very quickly this way."

Privatization of national companies, like the shutdown of money-losing private firms and the closure of heavily indebted banks, fits in with the prescription for recovery outlined by the International Monetary Fund in putting together a rescue package of nearly $60 billion in loans for South Korea last December.

The program drew quick criticism from labor unions, fearful that investors, seeking to turn marginal operations into profitable ones, would lay off many of the 150,000 workers at the 11 companies and their subsidiaries.

Alexander Nemenov/Agence France-Presse

TAX TALE — Vladimir Zhirinovsky, a Russian opposition politician, gesturing Friday at a Moscow protest against the government's moves to collect taxes from the gas company Gazprom. Page 12.

Japanese Leader Sees Permanent Tax Cuts

Stocks Rise but Economists Are Skeptical

By Sheryl WuDunn
New York Times Service

TOKYO — Prime Minister Ryutaro Hashimoto suggested Friday that Japan might adopt permanent tax cuts to revive the economy and calm the financial markets.

Such a move would delight many investors and please the United States, which has urged permanent tax cuts and other far-reaching measures to bolster the Japanese economy and reduce the risk that the recession here will spread around the globe.

But Mr. Hashimoto's comment was vague, and on Wednesday, Kanezo Muraoka, chief cabinet secretary, temporarily chilled expectations of a tax cut by saying that it would be discussed only after parliamentary elections on July 12.

Many foreign officials have also learned to be wary, thinking that Mr. Hashimoto sometimes is in a position to promise more economic measures than he can deliver.

"I expect that tax system reform will be implemented on a permanent basis, rather than in the form of a temporary tax cut," Mr. Hashimoto said in Kumamoto, where he was campaigning for the elections in southwestern Japan. "I believe this will materialize."

Mr. Hashimoto said in April that the government would carry out a one-time income tax cut of about $15 billion, on top of a similar tax cut that went into effect earlier this year and another one to take place in a couple of months.

But on Friday, Mr. Hashimoto made no mention of the size of the new tax cut, or whether the government would simply turn the current temporary tax cuts into permanent ones.

Some economists are also skeptical that any tax cuts would actually be permanent, for they say the government will be forced to raise taxes at some point in the near future.

Nonetheless, Mr. Hashimoto's comments lifted the benchmark Nikkei 225 stock market index, which was down at the opening by 160 points, the morning after the government unveiled a blueprint to tackle the nation's bad debt problem. The index closed Friday at 16,511.24, up 39.66 points, or 0.24 percent from Thursday's close.

The yen also zigzagged, with the dollar closing in Tokyo at 138.20 yen after Mr. Hashimoto's remarks, compared with 140.875 yen in New York on Thursday.

The stock market has risen for eight straight days, partly in anticipation of a tax cut and hopes that the government's blueprint, called the "Total Plan," will clean up the bad loan mess in much the same way that the United States solved the crisis in the savings and loans industry in the 1980s.

Indeed, the plan is closely modeled off of the mechanism set up by the Resolution and Trust Corporation in 1987.

But doubts began to surface Friday about exactly how much the program will actually accomplish. Japanese newspapers voiced concern that the bridge bank system, the centerpiece of the Total Plan, may not apply to the large banks that are at the heart of Japan's financial system. Instead, the plan may be used only in regional areas, for medium-sized or small financial institutions.

The Mainichi Shimbun, a major daily newspaper, said in an analysis Friday that it is not so clear if there will be a series of bank failures. It said that bridge banks may only be used in failures at the regional level, with assets of several tens of billions of dollars.

"Even in the United States, bridge banks were never applied to major bank failures," it said. It added that one reason is that it would be extremely hard to find a buyer for a financial institution with assets of several hundred billion dollars in a short period of time.

Indeed, Finance Ministry officials on Friday reaffirmed the government's policy of "too big to fail," which is essentially an assurance that it will not let large institutions go under. The government has bad memories of the collapse last November of Hokkaido Takushoku Bank, an incident that provoked a sudden liquidity squeeze in the nation's banking system and fanned fears of a financial meltdown.

The focus of the Total Plan is a two-stage bridge bank system designed to avoid triggering chaos in the financial system when a bank collapses. To do this, the government plans to appoint special administrators to run the failed institution and to support healthy borrowers of the failed bank while it searches for a merger partner.

If that does not work, then the collapsed bank's business would be taken over by a state-owned bridge bank set up with public funds.

Government officials said Friday that in theory, the plan could certainly be applied to any institution, but that in

See JAPAN, Page 12

ECONOMIC SCENE

Hungarian Workers Give U.S. City Buses a Good Start

By Peter S. Green
International Herald Tribune

BUDAPEST — Back in the late 1980s, in the waning days of the Communism regime, Ikarus, the Budapest-based bus manufacturer to the Soviet bloc, tried its hand at what was then an innovative venture.

In a partnership with an Alabama industrial company, it figured it could use low-cost Hungarian materials and labor to capture a share of America's lucrative market for city buses. Ikarus supplied empty shells from Hungary that were filled with American-made parts and engines at the Union City Body Co. in Anniston, Alabama, and delivered to U.S. transit authorities.

The key to the venture was a U.S. law that requires buses purchased with federal funds — virtually all city buses in the country — to have a minimum of 65 percent American-made content.

But the business suffered from bad management and failed to take off until an enterprising Hungarian emigré named Peter Rona saw an opportunity. In 1993, his First Hungarian Fund Ltd. revived the project, taking a 75 percent stake and injecting $1.45 million in cash, leaving state-owned Ikarus with 25 percent.

Today, the renamed North American Bus Industries, or NABI, not only capitalizes on the U.S. law that lets it build 35 percent of the bus in Hungary, but also is freed from stagnant, Communist-era management.

It counts among its customers Washington, Milwaukee, Honolulu and Philadelphia. A network of U.S. sales agents and frequent trips to the United States by Hungarian executives have helped to gain NABI a 14 percent share of the U.S. market, which with federal funding holds steady at about 3,500 buses a year.

Analysts say the company is a textbook example of how marrying Western management techniques and financing to Hungary's skilled, low-wage work force and innovative engineering has created the backbone of the country's economic recovery.

Following NABI's successful launch on the Budapest stock exchange last August, First Hungarian owns 54 percent of the company, with the rest held by institutional and other portfolio investors.

Although the price of NABI's shares has fallen more than 20 percent since then, along with most Hungarian equities, Merrill Lynch & Co. estimates that at a price-to-earnings ratio half that of last year, earnings per share could climb 71 percent this year. The company posted net income of $3.013 million for 1997, and Merrill Lynch forecasts earnings of $5.160 million this year.

Labor costs in Hungary are a fourth of those in Alabama, said Peter Horvath, NABI's finance director, one of the young executives that Mr. Rona recruited to enliven the bus company.

"Originally, our advantage was cost," he said, adding, "our other big advantage is the design team."

In the United States, Mr. Horvath said, top engineers typically end up designing cars in Detroit or spacecraft for the National Aeronautics and Space Administration. U.S. bus makers, he said, are not particularly innovative.

In Hungary, which has virtually no domestic car industry, NABI can attract some of the best engineers to design buses. Working with sophisticated computers in NABI's headquarters on the edge of Budapest, the engineers use three-dimensional modeling to design buses and parts. Because each customer may have different requirements for seating, wheelchair access and other factors, fresh design ideas are essential.

NABI's main models are a 40-foot bus and a 60-foot articulated bus, both built under license from Ikarus. But the company's engineers have also developed two wholly original models — low-riding, so-called low-floor buses, which do away with the awkward, steep steps of most American city buses. Low-floor models are easier for elderly and handicapped riders to use.

Bob Mitchell, a quality inspector visiting NABI's plant to check buses being built for the Phoenix, Arizona, transit authority, was happy with what he saw.

"I'm extremely impressed with the NABI bus, the way it's manufactured, the quality of the workmanship, the strength of the bus and the quality control steps they take to keep these buses going long into the future," he said.

On the grimy, battered concrete of the factory floor quality is verified by jump-suited company inspectors who check every step on the production line. While most passenger car factories are filled with welder-wielding robots, NABI's bus plant has few. In the large sheds that make up the crowded plant, workers are welding, grinding, bending and bolting metal parts by hand to make the chassis. Volumes are too low and the parts too intricate for robots to be viable.

Last year, NABI built about 430 buses, and in 1998 it is planning to build 470. NABI's spokesman, Akos Ersek, says that leaves the company with another 6 percent of the U.S. market in its reach. "If we go above 20 percent market share, we would have to fight very hard for new contracts," he said, "and that would hurt our profitability."

Instead, NABI is investing in designing the first commercial bus for the United States to be built on a carbon-fiber chassis. Expected to be 25 percent lighter than conventional, steel-chassis buses, it will offer substantial savings on fuel and maintenance. With a carbon-fiber bus, NABI officials say they may eventually attack the European market. But "Buy European" rules mean they will probably have to wait until Hungary becomes a member of the European Union, sometime after 2003.

North American Bus Industries

A welder working on a bus chassis at the company's plant in Budapest.

German Joblessness Falls

Kohl Seeks Election Help With Early Report

Bloomberg News

BONN — The jobless rolls in Germany fell by 120,000 in June, the biggest decline since German reunification, the government said Friday, a report intended to bolster Chancellor Helmut Kohl's re-election bid.

The unemployment rate, unadjusted for seasonal changes in the work force, fell to 10.5 percent in June from 10.9 percent in May, the government said. Joblessness fell by 50,000 in Western Germany and by 70,000 in the East. That lowered unemployment to an unadjusted 8.9 percent from 9.1 percent in the West and to 17.2 percent from 18.1 percent in the East.

It was the second straight month for which Mr. Kohl's government published figures before the official report by the Federal Labor Office. The Federal Statistics Office is to release the official June report Tuesday. Analysts said the government was acting to bolster Mr. Kohl's election chances; in the polls he trails Gerhard Schroeder, the Social Democrat, by at least 6 percentage points with only about 11 weeks before the Sept. 27 vote.

The reduction in joblessness suggests that Germany's export-led economic recovery is starting to create jobs, although many analysts attributed June's jobless decline, especially in the former East Germany, to government-subsidized job creation and training programs. While an improving jobs picture might not rescue Mr. Kohl, one analyst said it could lure enough votes to force a broad coalition among conservatives and Social Democrats.

Mr. Kohl said he expected the number of unemployed to fall below 4 million from the current 4.2 million by autumn.

■ Faster Growth Seen in France

The French economy should expand by 3.2 percent this year, its fastest pace since 1989 and more than the government's own forecast, according to the National Statistics Agency, Bloomberg News reported from Paris.

Job creation will increase consumer spending, while low interest rates and the need to revamp factories will lift company investment, the agency said. That, it said, will ensure that the economy, the fourth-biggest in the world, expands more than most others in Europe after growing 2.3 percent in 1997.

The government and many private economists expect growth of 3.0 percent this year as stronger domestic demand offsets lower exports to Asia.

CURRENCY & INTEREST RATES

Cross Rates

July 3

	$	£	D.M.	F.F.	Lira	D.fl	B.F.	S.F.	Yen	C$	Peseta
Amsterdam	2.057	3.376	1.1274	0.3363	0.1145*	—	5.466*	1.34	1.4002*	1.3775	1.3205*
Brussels	37.47	61.75	20.622	6.151	2.0831*	18.293	—	24.53	0.268	25.66	24.30*
Frankfurt	1.815	2.9936	—	0.2983	0.1015*	0.8871	4.849*	1.2079	1.3022*	1.2202	1.1765*
London (a)	1.6474	—	2.9958	10.043	2,950.99	3.3772	61.794	2.5207	229.0464	2.4171	254.2515
Madrid	154.713	254.451	84.863	25.317	8.613*	75.281	4.1151	100.857	110.401*	105.294	—
Milan	1,786.40	2,954.00	985.25	293.94	—	873.95	47.77	1,170.78	12.857	1,220.00	11.486
New York (b)	—	a			Closed						
Paris	6.0914	10.052	3.3521	—	0.3403*	2.9736	0.1625	3.9839	4.3798*	4.1597	3.95*
Tokyo	138.45	230.13	76.27	22.76	0.775	67.45	3.4993	90.56	—	94.51	0.889
Toronto	1.4673	2.4175	0.8067	0.2407	0.0839*	0.7158	0.3715*	0.959	1.053*	—	0.96*
Zurich	1.5297	2.5204	0.8431	0.2594	0.0854*	0.7463	4.6785*	—	1.0987*	1.0424	0.9714*
1 ECU	1.0988	0.6594	1.9771	6.6274	1,947.92	2.2280	40.7716	1.4635	151.318	1.5935	167.28
1 SDR	1.3774	0.8281	2.4177	8.1489	2,383.22	2.7271	49.8349	2.0032	183.644	1.9482	205.331

Closings in Amsterdam, London, Milan, Paris and Zurich, fixings in other centers: New York and Toronto rates at 3 P.M.
*a: To buy one pound; b: To buy one dollar; *Units of 100; N.Q.: not quoted; N.A.: not available.*

Other Dollar Values

July 2

Currency	Per $	Currency	Per $	Currency	Per $	Currency	Per $
Argent. peso	0.9999	Greek drac.	307.12	Mex. peso	8.943	S. Afr. rand	6.2275
Australian $	1.6297	Hong Kong $	7.7485	N. Zealand $	1.9429	S. Kor. won	1366.
Austrian sch.	12.830	Hung. forint	219.42	Norw. krone	7.7637	Swed. krona	8.1038
Brazil real	1.1568	Indian rupee	42.50	Phil. peso	41.15	Taiwan $	34.34
Chinese yuan	8.2799	Indo. rupiah	14750.	Polish zloty	3.49	Thai baht	42.13
Czech koruna	32.94.	Irish £	0.7257	Port. escudo	186.57	Turkish lira	266440.
Danish krone	6.9501	Israeli shek.	3.6645	Russ ruble	6.202	UAE dirham	3.6729
Egypt. pound	3.4125	Kuw dinar	0.3067	Saudi riyal	3.7503	Venez. boliv.	555.25
Fin. markka	5.5425	Malay. ring.	4.1753	Sing. $	1.7015		

Forward Rates

Currency	30-day	60-day	90-day	Currency	30-day	60-day	90-day
Pound Sterling	1.6564	1.6533	1.6506	Japanese yen	140.01	139.36	138.81
Canadian dollar	1.4635	1.4627	1.4619	Swiss franc	1.5260	1.5210	1.5168
Deutsche mark	1.8201	1.8188	1.5137				

Sources: ING Bank (Amsterdam); KBC Bank (Brussels); Banca Commerciale Italiana (Milan); Banque de France (Paris); Bank of Tokyo-Mitsubishi (Tokyo); Royal Bank of Canada (Toronto); IMF (SDR). Other data from the Associated Press, Bloomberg and Reuters.

Libid-Libor Rates

July 3

	Dollar	D-Mark	Swiss Franc	Sterling	French Franc	Yen	ECU
1-month	5 1/2 - 5 5/8	3 3/8 - 3 1/2	2 - 2 1/8	7 7/16 - 7 5/8	3 7/16 - 3 9/16	9/16 - 11/16	4 7/16 - 4 9/16
3-month	5 9/16 - 5 5/8	3 1/2 - 3 5/8	1 15/16 - 2 1/16	7 5/8 - 7 11/16	3 1/2 - 3 5/8	11/16 - 3/4	4 7/16 - 4 9/16
6-month	5 5/8 - 5 3/4	3 9/16 - 3 5/8	1 15/16 - 2 1/16	7 5/8 - 7 11/16	3 9/16 - 3 11/16	11/16 - 3/4	4 7/16 - 4 9/16
1-year	5 11/16 - 5 3/4	3 13/16 - 3 15/16	2 - 2 3/16	7 5/8 - 7 13/16	3 3/4 - 3 7/8	11/16 - 13/16	4 9/16 - 4 11/16

Sources: Reuters, Lloyds Bank.
Rates applicable to interbank deposits of $1 million minimum (or equivalent).

Key Money Rates

United States	Today	Prev
Discount rate	5.00	5.00
Prime rate	8 1/2	8 1/2
Federal funds	Clsd.	5 1/2
90-day CDs (deal)	—	5.59
180-day CP (deal)	—	5.42
ML 30-day R-A	—	5.06

	Price	Yield	Prev
3-month T-bill	Clsd.	Clsd.	5.06
1-year T-bill	—	—	5.32
2-year T-note	—	—	5.42
5-year T-note	—	—	5.42
7-year T-note	—	—	5.50
10-year T-note	—	—	5.41
30-year T-bond	—	—	5.60

Japan	Close	Prev
Discount rate	0.50	0.50
Call money	0.35	0.33
1-month interbank	0.60	0.60
3-month interbank	0.65	0.65
6-month interbank	0.67	0.67
10-year Govt bond	1.64	1.61

Germany		
Lombard rate	4.50	4.50
Call money	3.45	3.44
1-month interbank	3.50	3.50
3-month interbank	3.57	3.57
6-month interbank	3.67	3.69
10-year Bond	4.74	4.73

Britain		
Bank base rate	7 1/2	7 1/2
Call money	7 1/2	7 1/4
1-month interbank	7 5/8	7 9/16
3-month interbank	7 11/16	7 11/16
6-month interbank	7 13/16	7 3/4
10-year Gilt	5.84	5.83

France		
Intervention rate	3.30	3.30
Call money	3 1/4	3 1/4
1-month interbank	3 7/16	3 7/16
3-month interbank	3 1/2	3 1/2
6-month interbank	3 9/16	3 5/8
10-year OAT	4.80	4.80

Sources: Reuters, Bloomberg, Merrill Lynch, Bank of Tokyo-Mitsubishi, Commerzbank, Credit Lyonnais.

Gold

	A.M.	P.M.	Ch'ge
Zurich	N.A.	294.25	Unch.
London	293.90	294.60	—0.55
New York	—	Clsd.	—

U.S. dollars per ounce. London official fixings; Zurich and New York opening and closing prices; New York Comex (Aug.)
Source: Reuters.

GM Strike Cutting Off Dealers' Popular Models

By Keith Bradsher
New York Times Service

SYLVANIA, Ohio — Ask David White Jr., a Chevrolet dealer here, how long he can last during the current General Motors strike, and his initial response is full of confidence: two months, because he has about 220 new cars and trucks in stock and typically sells 110 a month.

But ask about supplies of specific models, and the confidence fades. There are lots of slow-selling Lumina and Prism sedans, plenty of Astro full-size vans and enough tiny Metro economy cars for at least six months of sales.

But he expects to sell the last of his high-profit Tahoe and Suburban sport utility vehicles and S-10 pickups this weekend.

A shortage of popular models at dealerships now lies at the heart of the troubles facing GM, the world's largest automaker.

Showdowns with the United Automobile Workers are always costly for automakers, but GM came into the current strike with extremely low inventories of its most profitable vehicles, and the strike is obviously making it worse.

So as customers head to showrooms this weekend for the traditionally busy Fourth of July auto sales, they are likely to find the most popular GM models in short supply, with few combinations of color and options available. Discounts are evaporating, pushing up the prices that car buyers actually pay.

The strike, at two GM auto parts factories in Flint, Michigan, has forced GM to close 26 of its 29 North American assembly plants, so customers who want to order a precise combination of paint color and options from the factory face months of delay — or must compromise and pick from dealers' dwindling selections.

[Negotiations at the plants resumed Friday morning with no progress, The Associated Press reported.]

"What you see is what you get," said Jim Yark, an Oldsmobile dealer in nearby Toledo, as he surveyed the 78 new cars and light trucks on his lot — less than one-third of his usual supply, and only enough for another three weeks of sales, he calculated.

The strike comes at a time of record sales for GM, which announced June results by model on Thursday. Sales of each of its full-size sport utility vehicle models were the highest ever in June, and its overall light truck sales have set industry records for the last four consecutive months.

The record sales have helped GM clear out 1998 models before the 1999 models are introduced, which traditionally happens in late September, but GM has been too successful for its own good.

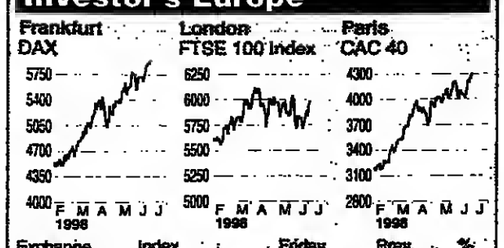
Now the automaker finds itself running out of popular models even as the economy is booming, unemployment is low and people are buying lots of light trucks.

With experience gained from more than a dozen other GM strikes over the last five years, Wall Street analysts thought they could estimate with confidence the company's losses from work stoppages and put the damage to GM's after-tax earnings in the second quarter at up to $1 billion.

But GM said Tuesday that its actual losses were $1.18 billion, nearly 20 per-

See GM, Page 12

Investor's Europe



Exchange	Index	Friday Close	Prev. Close	% Change
Amsterdam	AEX	1,243.25	1,229.04	+1.16
Brussels	BEL-20	3,549.19	3,546.52	+0.08
Frankfurt	DAX	5,953.16	5,904.10	+0.83
Copenhagen	Stock Market	739.58	737.81	+0.24
Helsinki	HEX General	5,222.28	5,141.75	+1.57
Oslo	OBX	707.83	706.03	+0.25
London	FTSE 100	5,988.49	5,960.20	+0.47
Madrid	Stock Exchange	916.50	904.17	+1.36
Milan	MIBTEL	23876	23622	+1.08
Paris	CAC 40	4,304.38	4,252.09	+1.23
Stockholm	SX 16	4,389.90	4,347.59	+0.97
Vienna	ATX	1,535.86	1,510.71	+1.66
Zurich	SPI	5,063.41	5,021.76	+0.83

Source: Telekurs — International Herald Tribune

Very briefly:

• Nedcor Ltd., Standard Bank and Absa Group Ltd. of South Africa raised their prime lending and mortgage rates, the third time in a month that commercial banks have done so. The move deepens the prospects of recession amid a sharp drop in the currency, the rand.

• The Bank of Spain left its benchmark interest rate unchanged at 4.25 percent, as expected.

• Liberty PLC shares fell 11.4 percent to 195 pence ($3.24), down 25 pence after the troubled British clothing retailer and fabric printer reported a loss of £12.5 million for the fiscal year, after a profit of £4.0 million a year earlier.

• Lafarge SA of France said it would combine its industrial paint businesses with the Sigma Coatings subsidiary of Petrofina SA of Belgium in an operation with about 7 billion French francs ($1.15 billion) in annual sales. Petrofina will hold a majority stake in the new concern.

• Fininvest SpA, the holding company of Silvio Berlusconi, the former prime minister of Italy, said it was studying plans to move about 1.5 trillion lire ($837 million) worth of real estate into a separate unit and sell a stake in it to investors.

• Adecco SA, the Switzerland-based employment-services company, said it had raised 310 million Swiss francs ($202.3 million) from the sale of new shares to be listed in Paris and Zurich, helping it repay debt.

• The European Commission said it might sue Italy over restrictions on chocolate imports from other European Union countries. The EU's single market commissioner, Mario Monti, gave Italy two months to react to charges that it broke European law by forcing chocolate made using fats other than cocoa butter to be labeled as "chocolate substitute."

• Vickers PLC completed the sale of Rolls-Royce Motor Cars to Volkswagen AG for £479 million ($794.7 million). The price, in addition to the £430 million bid, includes £38 million to reflect an increase in the value of Rolls-Royce assets since the beginning of the year and £11 million to refund cash in Rolls-Royce accounts. *AFP, Bloomberg*

Russian Duma Passes Tough Tax Code

Compiled by Our Staff From Dispatches

MOSCOW — Russia's lower house of Parliament, the State Duma, approved the main section of a landmark tax code Friday, in a move intended to revive the country's moribund investment climate, raise tax receipts and help it get financial aid.

The passage of the budget code is a key condition for an International Monetary Fund loan of up to $15 billion needed to avert a ruble devaluation and to ease a government cash shortage.

The Duma also passed a new tax code designed to improve collection, another important condition for the loan.

Russia's benchmark RTS stock index closed 4.9 percent higher, or 7.12 points, at 151.33 as the new tax and budget codes are seen as a crucial test of Russia's commitment to reforming its finances.

"I think it really ought to be taken well," said Sonja Gibbs, chief strategist at Nomura International in London. "This definitely has the feel of progress, which is something everyone has been waiting for."

Joel McDonald, an adviser to the Russian government on a previous version of the tax code and a tax lawyer at Salans Hertzfeld & Heilbronn in Moscow, said the Duma's passage of the general part of the code was only the start of reform.

'I think it really ought to be taken well. This definitely has the feel of progress, which is something everyone has been waiting for.'

The lower house must pass the section in a final, formal reading expected on July 15, but it must also handle three other sections, special parts which would define which and how much tax regional, federal and local government could levy.

"In the overall context of tax reform in Russia, this is one of the vital areas, defining the rights of taxpayers vis-à-vis the tax authorities," he said of the general section.

"But it will not bring a lot of relief for investors, since all the taxes are included in the other parts, which are inherently more controversial and more complex. How can you prepare the 1999 budget without the special parts?"

The Duma approved the tax code general section, which sets out the rights of taxpayers and defines the basic form of the tax system and which outlines rules for preparing and fulfilling the annual state budget, a key condition for an International Monetary Fund loan.

The budget code also outlines accountability for violations of budget laws and the powers of the cabinet, Ministry of Finance, and state treasury in the preparation and fulfillment of the budget.

The government has pledged to increase revenue by at least 42 billion rubles ($6.77 billion) this year.

Boris Fyodorov, head of Russia's tax office, outlined his efforts to improve tax collection a day after winning an agreement from OAO Gazprom, the world's largest gas company and Russia's biggest tax delinquent, to pay 4 billion rubles in taxes a month.

Gazprom owes the government a total of 12 billion rubles in tax arrears — about equal to the total amount of tax the government collected in April.

Government-funded companies owe Gazprom about 13 billion rubles in back payments for supplies, said the Russian deputy prime minister, Boris Nemtsov.

Meanwhile, unpaid Russian miners blocked the strategic Trans-Siberian railway line for three hours on Friday before being removed by the police, a union official said.

"They blocked the railroad, but were forced by Interior Ministry forces to reopen it again," said Nikolai Shtyrkov, first deputy chairman of the independent coalminers' union. *(Reuters, Bloomberg)*

Shell Drops Bid to Buy Rosneft

Compiled by Our Staff From Dispatches

LONDON — Royal Dutch/Shell Group said Friday it was pulling out of a consortium tender for a 75 percent stake in the Russian state oil company RAO Rosneft, which the government wants to sell for at least $1.6 billion.

Shell blamed the depressed outlook for oil prices and difficult financial circumstances in Russia for its withdrawal.

Shell's decision follows a meeting Thursday with its Russian consortium partners RAO Gazprom and OAO Lukoil Holding. The British-Dutch giant said recently it may have to pull out of some projects because of weak oil prices.

In May the Russian government offered a stake of 75 percent plus one share in Rosneft in a privatization tender.

No bids were received at the offer price of $2.1 billion plus a $400 million tax arrears and investment obligation, but the offer price has since been cut to $1.6 billion with a $62.5 million investment requirement.

Shell's decision came a day after the Russian government forced Gazprom, the world's largest gas company, to quadruple its tax payments to meet arrears.

It underscores the caution that companies such as Shell are taking with investments in Russia in the current climate of low oil prices and higher taxes.

"It is critical that such investment decisions are based on the expectation that our financial targets can be met," Jeroen van der Veer, a managing director of Shell, said. "This has proved not to be the case."

Shell's pullout throws into question just who will bid for Rosneft.

British Petroleum PLC and AO Yukos also were considering a bid and probably have the same fears as Shell, analysts said.

"The general feeling is that the valuation of Rosneft is stretched, and the crude oil price certainly is a factor," said Gordon Gray, an analyst at Salomon Smith Barney. *(Reuters, Bloomberg)*

VW Sales in U.S. Post Best Month Since Early '80s

Compiled by Our Staff From Dispatches

FRANKFURT — Volkswagen AG said Friday it posted its best U.S. monthly sales in June in nearly two decades.

Europe's biggest carmaker also said it would split its shares 10 for 1 and eliminate their nominal value to make them easier to trade.

VW sold 24,907 vehicles in June, up 90.8 percent from June 1997. The sales results give Volkswagen its best June in the United States since 1980 and its best month overall since 1981.

In the first six months of 1998, VW said it sold 104,081 new cars, up 50.2 percent over the same period in 1997. That represents the best first half for the carmaker since 1986.

U.S. sales were driven by its "New Beetle" model, which made its debut in March. The company said it sold 7,466 units of the car in June and 17,431 units since it went on sale.

VW shares closed up 54.5 Deutsche marks at 1,871 DM ($1,029). *(Reuters, Bloomberg)*

Talk of Tax Cuts in Japan Lifts the Yen

Bloomberg News

LONDON — The dollar fell against the yen on Friday after Prime Minister Ryutaro Hashimoto suggested that Japan would cut taxes to bolster its economy.

Mr. Hashimoto said in a campaign speech before the July 12 parliamentary elections that he expects Japan "will have permanent tax reform, not temporary tax cuts." An income tax cut could boost consumer spending, fueling economic growth and helping to lift the country from recession.

"Permanent tax cuts will help to underpin consumer confidence," said Steven Mansell, a senior strategist at BNP Capital Markets, who sees the dollar remaining below

FOREIGN EXCHANGE

142 yen in the coming days. "Now that Japan has shown its hand, the U.S. will be a little more willing" to sell dollars to help support the yen.

The dollar fell to 139.36 yen in London trading on Friday, compared with a New York close of 140.875 on Thursday.

The dollar fell to 1.8122 DM from 1.8200 DM after the German government said the number of people out of work fell 120,000 in June, a larger drop than expected.

U.S. markets were closed Friday for a holiday.

"Certainly tax cuts will improve the economic backdrop," said Keith Edmonds, the chief currency analyst at IBJ International. Still, he said, "it takes a long time for these to take effect" and the yen will probably fall in the coming days.

Toyota to Construct Design Center in France

Bloomberg News

Toyota Motor Corp. said Friday it would build a design center in France, part of wider efforts by Japan's largest automaker to boost sales in Europe by 25 percent within three years.

Toyota Europe Design Development SARL, to be located on the southern coast of France, will employ between 20 and 30 designers to craft auto exteriors and interiors suited to European tastes, the company said. The center, which will cost 2.1 billion yen ($15 million), will open in 2000, when government restrictions on the number of Japanese-made autos sold in Europe are lifted.

Import controls have helped hold the Japanese to 12 percent of the market, about half their U.S. market share.

Japanese carmakers this year will be allowed to export 1.167 million vehicles to the 15 countries in the European Union, a 4.8 percent increase over last year's limit.

Toyota plans to lift sales in Europe by a quarter to 600,000 vehicles in calendar 2000. It is building a new factory in the northern French city of Valenciennes and increasing output at its Burnaston, England, assembly plant. Together, those moves will more than triple Toyota's auto production in Europe to 400,000 vehicles by 2001.

Toyota said last month it may also establish a holding company in Europe to coordinate purchasing, manufacturing and marketing operations there.

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JAPAN: *Prime Minister's Support of Tax Cuts Lifts Stock Market*

Continued from Page 11

practice, it was more likely to be used in the failures of regional institutions.

Analysts also echoed that view.

"The Total Plan may include the largest banks, but the real purpose is the small, secondary regional banks," said Brian Waterhouse, financial analyst at HSBC Securities Japan Ltd. "The major 19 banks have the largest number of loans, but smaller banks have a graver danger of going under."

One Japanese banker, who refused to be named, noted that the process of drawing up the Total Plan and the bridge bank system was driven by Japanese politicians, who mainly have their regional constituents in mind. The failure of a regional bank has a huge impact on that region's economy, particularly on the ailing companies that borrowed from that bank.

"We're going to see greater instability," said James Fiorillo, banking analyst at ING Barings Japan, on the implementation of the plan. "It's not a straight and narrow road forward. It's going to be bumpy."

The government has been particularly sensitive to the markets recently, in light of the beating last month that certain bank shares, such as those of the ailing Long-Term Credit Bank and Nippon Credit Bank, have suffered. And it has criticized foreign financial analysts in the past for fingering the names of weak institutions to the media.

Friday, at a briefing at the Finance Ministry for foreign financial analysts, an official at the Financial Supervisory Agency, which inspects the banks, lashed out at foreign speculators, saying they were "playing their games in the Tokyo market," and using the Tokyo market as a "playground," by attacking certain bank stocks.

When pressed on this by a reporter, a government spokesman, who appeared rather embarrassed, said that the comments were "improper." Then he asked for the names of the analysts who revealed the comments, saying he would like to clear up any misunderstanding.

When he did not get the names, he explained that the official had been working extremely hard. "He was ill last evening," he said.

"He was not in a good mood."

GM: *Strike Cutting Dealers' Inventories*

Continued from Page 11

cent higher than Wall Street's highest estimates, mainly because sales of light trucks had dropped especially fast.

Ronald Zarrella, GM's group vice president for marketing, tried to reassure Wall Street and vehicle shoppers on Wednesday that GM dealers still had ample inventories.

GM has canceled low-profit sales to car rental companies and other fleets, and its dealerships' remaining inventories of cars and light trucks are equal to 70 days of retail sales, he said.

But such figures mask wide differences in the availability of particular models, as well as big gaps among dealerships.

Small cars, on which GM loses money, are still plentiful, but full-size sport utility vehicles, on which GM makes up to $10,000 apiece, are extremely scarce.

At the same time, some dealerships that started the summer with unusually large inventories are less worried than dealerships that tried to match up orders and sales more closely and now find themselves with little to sell.

In normal times, dealers sell scarce models to one another at close to invoice prices.

But this informal system has broken down now, with dealers nationwide saying in interviews this week that they are hoarding their remaining vehicles and generally selling only to retail customers who pay close to the full sticker price.

The uneven distribution of vehicles poses a problem for GM because customer loyalty to dealerships has been its greatest strength.

More than any other domestic or foreign auto maker, GM relies on sales to previous owners of GM vehicles, a legacy of the days in the 1960s and '70s when GM controlled half the market.

Very few owners of foreign cars, or even owners of other domestic brands, tend to switch to GM, which is one reason why its market share has been slowly diminishing for a quarter of a century.

But now some of those loyal GM customers are coming into dealerships that offer an increasingly limited selection.

To Our Readers

All U.S. financial markets were closed Friday for the Independence Day holiday.

INTERNATIONAL FUTURES

July 3, 1998

Metals

	High	Low	Latest	Chge	Open Int
LONDON METALS (LME)					
Dollars per metric ton			Close		Previous
Aluminum (High Grade)					
Spot	1279½	1274½	1265.00		1266.00
Forward	1304.00	1305.00	1293.00		1294.00
Copper Cathodes (High Grade)					
Spot	1594.00	1595.00	1592.00		1593.00
Forward	1612.00	1612.00	1610.00		1611.00
Lead					
Spot	574.00	576.00	566.00		567.00
Forward	543.00	545.00	548.00		549.00
Nickel					
Spot	4255.00	4265.00	4195.00		4205
Forward	4310.00	4320.00	4250.00		4260
Tin					
Spot	5615.00	5625.00	5580.00		5590.00
Forward	5490.00	5500.00	5450.00		5460.00
Zinc (Special High Grade)					
Spot	1028.00	1029.00	993.00		994.00
Forward	1050.00	1051.00	1018.00		1019.00

Financial

	High	Low	Close	Chge	Open Int
LONG GILT (LIFFE)					
£50,000 - pts & 32nds of 100 pct					
Sep 98	108.07	108.58	108.80	—0.09	131,706
Est. sales: 21,728. Prev. sales: 56,850					
Prev. open int.: 131,706 up 1,841					
GERMAN GOV. BUND (LIFFE)					
DM250,000 - pts of 100 pct					
Sep 98	108.73	108.42	108.73	+0.02	71,430
Dec 98	N.T.	N.T.	108.11	+0.02	170
Est. sales: 3,720. Prev. sales: 14,119					
Prev. open int.: 71,600 up 36					
10-YEAR FRENCH GOV. BONDS (MATIF)					
FF500,000 - pts of 100 pct					
Sep 98	104.81	104.70	104.79	Unch.	726,845
Est. sales: 40,737.					
Open int.: 726,845 up 5,656					
ITALIAN GOVERNMENT BOND (LIFFE)					
ITL 200 million - pts of 100 pct					
Sep 98	120.80	120.60	120.77	—0.02	104,179
Dec 98	107.04	106.97	107.04	—0.05	3,250
Est. sales: 10,197. Prev. sales: 47,136					
Prev. open int.: 107,429 up 9,959					
3-MONTH STERLING (LIFFE)					
£500,000 - pts of 100 pct					
Sep 98	92.110	92.080	92.090	—0.010	174,416
Dec 98	92.130	92.110	92.130	—0.010	182,600
Mar 99	92.300	92.270	92.290	—0.010	129,347
Jun 99	92.530	92.500	92.510	—0.010	122,534
Sep 99	92.720	92.690	92.710	—0.010	82,747
Dec 99	92.840	92.840	92.850	—0.010	91,907
Mar 00	93.050	93.020	93.040	Unch.	77,884
Est. sales: 88,553. Prev. sales: 97,991					
Prev. open int.: 997,703 up 13,353					
3-MONTH EUROMARK (LIFFE)					
DM1 million - pts of 100 pct					
Jul 98	96.440	96.440	96.440	—0.005	23,991
Aug 98	N.T.	N.T.	96.405	—0.005	9,553
Sep 98	96.365	96.350	96.360	—0.005	442,488
Dec 98	96.130	96.110	96.120	—0.010	469,679
Mar 99	96.040	96.020	96.035	—0.005	444,097
Jun 99	95.925	95.910	95.920	—0.005	189,482
Sep 99	95.825	95.810	95.820	—0.005	255,851
Dec 99	95.690	95.680	95.680	—0.010	178,598
Mar 00	95.655	95.645	95.650	—0.005	159,752
Jun 00	95.590	95.570	95.575	—0.010	74,481
Est. sales: 60,834. Prev. sales: 241,043					
Prev. open int.: 2,253,705 up 22,725					
3-MONTH PIBOR (MATIF)					
FF5 million - pts of 100 pct					
Jul 98	96.42	96.43	96.44	Unch.	1900
Sep 98	96.37	96.35	96.35	Unch.	63,519
Dec 98	96.16	96.13	96.14	Unch.	62,729
Mar 99	96.04	96.02	96.03	Unch.	48,567
Jun 99	95.93	95.92	95.92	Unch.	17,519
Sep 99	95.82	95.82	95.82	Unch.	18,350
Dec 99	95.69	95.68	95.68	Unch.	11,901
Est. sales: 7,623					
Open int.: 237,809 up 694					
3-MONTH EURORIA (LIFFE)					
ITL 1 million - pts of 100 pct					
Sep 98	95.620	95.570	95.580	—0.010	192,591
Dec 98	96.060	96.030	96.030	—0.020	144,583
Mar 99	96.030	96.010	96.020	—0.010	213,888
Jun 99	95.920	95.910	95.920	Unch.	55,460
Sep 99	95.820	95.810	95.820	+0.010	29,556
Dec 99	95.680	95.670	95.680	+0.010	34,939
Est. sales: 34,346. Prev. sales: 67,313					
Prev. open int.: 712,428 up 3,068					

Industrials

	High	Low	Latest	Chge	Open Int
GASOIL (IPE)					
U.S. dollars per metric ton - lots of 100 tons					
Jul 98	117.75	115.50	115.75	—1.50	20,818
Aug 98	122.25	120.25	120.25	—1.75	22,423
Sep 98	124.25	124.25	124.25	—1.75	14,192
Oct 98	130.25	128.50	128.50	—1.75	17,510
Nov 98	133.00	132.25	131.75	—1.50	11,421
Dec 98	134.00	134.75	135.00	—1.50	36,473
Jan 99	137.75	137.00	136.75	—2.00	10,432
Est. sales: 10,000. Prev. sales: 21,699					
Prev. open int.: 178,103 up 6,229					
BRENT OIL (IPE)					
U.S. dollars per barrel - lots of 1,000 barrels					
Aug 98	13.62	13.48	13.55	—0.02	67,135
Sep 98	14.00	13.86	13.87	—0.10	50,707
Oct 98	14.36	14.23	14.24	—0.06	22,411
Nov 98	14.53	14.47	14.44	—0.04	14,094
Dec 98	14.77	14.60	14.61	—0.09	37,667
Jan 99	14.87	14.78	14.76	—0.11	17,892
Est. sales: 24,768. Prev. sales: 58,639					
Prev. open int.: 253,369 up 6,270					

Stock Indexes

	High	Low	Latest	Chge	Open Int
FTSE 100 (LIFFE)					
£25 per index point					
Sep 98	6082.0	6072.0	6035.0	—12.0	162,739
Dec 98	6130.0	6130.0	6131.0	—12.0	1,349
Mar 99	N.T	N.T	6207.0	—8.0	430
Est. sales: 15,208. Prev. sales: 22,276					
Prev. open int.: 164,718 up 3,471					
CAC 40 (MATIF)					
FF200 per index point					
Jul 98	4318.0	4274.5	4309.0	+44.0	155,281
Aug 98	N.T.	N.T.	4391.0	+44.0	640
Sep 98	4331.5	4303.0	4322.5	+44.0	189,166
Dec 98	4304.0	4304.0	4367.5	+44.0	11,880
Mar 99	N.T.	N.T.	4408.5	+44.0	37,054
Est. sales: 26,980					
Open int.: 315,983 off 4,591					

Commodity Indexes

	Close	Previous
Moody's	Clsd.	1,933.80
Reuters	1,548.60	1,549.60
D.J. Futures	Clsd.	127.98
CRB	—	214.30

Sources: Matif, Associated Press, London Int'l Financial Futures Exchange, Int'l Petroleum Exchange.

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Cathay Pacific Seeks Partners Outside Asia

Bloomberg News

HONG KONG — Cathay Pacific Airways Ltd., Hong Kong's biggest airline, said Friday it was talking to several carriers about forming an alliance to strengthen its position in Europe and the United States as traffic slows at home.

The comments followed a published report in Britain that quoted unnamed sources as saying Cathay and British Airways PLC have held talks in Hong Kong and London.

Betty Law, a Cathay spokeswoman, said the carrier was in talks with "various airlines." She declined to identify them and said a decision would be made later in the year.

British Airways would not confirm or deny the report. "We have a long-standing policy not to comment on rumor or speculation," said Jamie Bowden, a spokesman.

The Hong Kong-based airline would profit from links with non-Asian carriers to bring it passengers as its home market contracts.

Cathay's net profit slumped 55.5 percent last year as slowing economic growth from Indonesia to Japan cut tourism. The airline has sacked at least 870 employees this year as first-quarter traffic shrank 9.5 percent.

Analysts said airlines that would profit from access to the Chinese market include BA, Lufthansa AG and KLM Royal Dutch Airlines.

A Cathay-British Airways linkup would probably not happen until after both European Union and U.S. regulatory authorities rule on a proposed alliance between BA and American Airlines, Mr. Light of Salomon said.

The European Commission, the executive body of the European Union, is expected to rule Wednesday that British Airways and American Airlines must give up some 270 weekly takeoff and landing slots at London airports in exchange for approval. The U.S. is expected to rule by September.

Barclays Capital Gets Daiwa Unit

Bloomberg News

TOKYO — Daiwa Securities Co. has sold its securities lending business in New York, Britain and Hong Kong to Barclays Capital, the securities arm of the financial conglomerate Barclays PLC.

A Daiwa Securities spokesman, who did not want to be identified, said Thursday that all 52 employees of the units, which lend securities and money to fund managers and hedge funds, would join Barclays Capital.

Financial terms of the sale were not disclosed. The shares of Daiwa Securities fell 11 yen, to 642 yen, on Friday.

In May, Daiwa Securities said it would move its international business headquarters to London from Tokyo to try to cut costs and improve efficiency. It said it also saw London growing in prominence as an international financial center.

Australian Networks Get Exclusive Use of Digital TV

Bloomberg News

CANBERRA — The Australian Parliament passed a law Friday that gives television networks free and exclusive access to the digital spectrum for the next eight years.

The five television networks, which include two government-owned broadcasters, will be required to offer digital television in metropolitan areas beginning Jan. 1, 2001, moving into all regional areas by Jan. 1, 2004.

"This is the most significant television legislation in almost 50 years," said Tony Branigan, spokesman for the Federation of Australian Commercial Television Stations.

Shares in Publishing & Broadcasting Ltd., which owns Nine Network Australia, closed at 17.20 Australian dollars ($10.55), up 7 cents. Seven Network Ltd.'s shares rose 11 cents to 5.01 dollars, and Ten Network Holdings Ltd. were unchanged at 2.05 dollars.

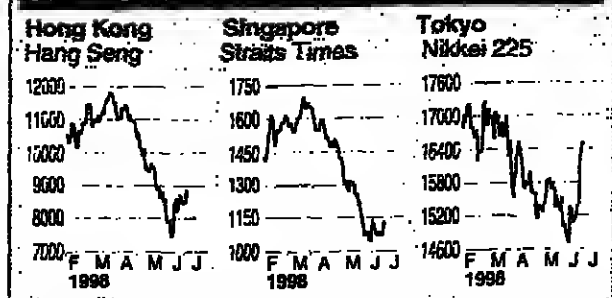
Under the new law, the commercial stations will get access to seven megahertz of digital spectrum free of charge until 2006. The government also said it would not grant any new commercial licenses for eight years, two years less than originally proposed.

Digital television will be broadcast into homes in two and a half years, the government said. Both digital and analog signals will be broadcast simultaneously for eight years to allow consumers time to buy new digital television sets.

"There is no need to immediately replace existing analog TV sets," said Minister for Communications Richard Alston. Instead, people will be able to buy "digital decoders," which allow digital television to be picked up by existing analog television sets.

Television networks will be able to transmit data in addition to television programs but will be charged fees on a "level playing field" with data service providers, which will be able to bid for unused spectrum.

Investor's Asia



Exchange	Index	Friday Close	Prev. Close	% Change
Hong Kong	Hang Seng	8,639.31	8,866.16	-2.56
Singapore	Straits Times	1,122.67	1,124.87	-0.20
Sydney	All Ordinaries	2,743.10	2,742.70	+0.01
Tokyo	Nikkei 225	16,511.24	16,471.58	+0.24
Kuala Lumpur	Composite	473.78	478.20	-0.92
Bangkok	SET	273.74	277.98	-1.53
Seoul	Composite Index	308.53	311.77	-1.04
Taipei	Stock Market Index	7,758.63	7,817.11	-0.75
Manila	PSE	1,859.24	1,856.19	+0.16
Jakarta	Composite Index	4,70.545	4,66.373	+0.89
Wellington	NZSE-40	2,043.04	2,054.20	-0.54
Bombay	Sensitive Index	3,089.82	3,180.73	-2.88

Source: Telekurs — International Herald Tribune

Paper Makers Weigh Korea Investment

Bloomberg News

SEOUL — Abitibi-Consolidated Inc. and Norske Skogindustrier ASA, two of the world's top five paper producers, are in talks to invest in Hansol Paper Co. of South Korea or to buy one of its plants, a spokesman for Hansol said Friday.

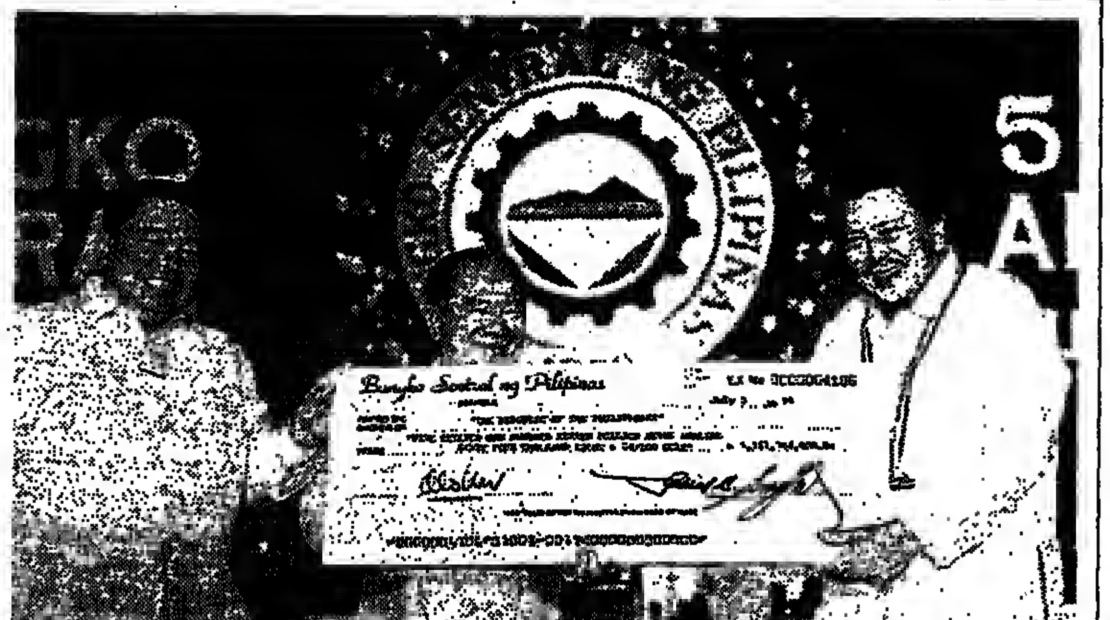
The investment could leave more than 65 percent of South Korea's paper industry in foreign hands, as Hansol is the biggest manufacturer, with a 45 percent market share. Bowater Inc. and Norske Skogindustrier have already taken advantage of South Korea's weakened currency by agreeing to other acquisitions.

"Negotiations started 10 days ago, but things are very much flexible," said Kim Jin Moon, a Hansol Paper spokesman. "Abitibi and Norske are among the potential buyers."

Shares in Hansol Paper fell 50 won, to 6,950 won ($5.09).

The Chosun Ilbo newspaper quoted an unnamed senior official of Hansol Paper as saying that talks were in the final stages to either sell Hansol's paper manufacturing plant in Jeonju for $1 billion or to sell 49 percent of Hansol for $800 million.

Abitibi, which is based in Montreal, and Norske Skogindustrier, a Norwegian company, are apparently betting that demand from newspapers and other users will increase once Asia's economic problems recede.



Romeo Ranoco/Reuters

PESO BONUS — President Joseph Estrada of the Philippines, right, accepting a 5 billion peso dividend Friday on the government's behalf from Gabriel Singson, center, the central bank chief.

Very briefly:

- San Miguel Corp.'s chief executive officer and board member, Andres Soriano 3d, resigned to give way to new management. Francisco Eizmendi Jr., president and chief operating officer, will be responsible for the general supervision, administration and management of the company until a successor is chosen.
- Hyundai Motor Co. workers said they would begin a two-day strike on Monday to protest plans by South Korea's biggest auto manufacturer to dismiss a tenth of its staff.
- Hyundai Group's plans to unleash a flood of South Korean tourists on North Korea, arguably the world's least hospitable country, have sparked a rally in its shares. The first group of tourists will arrive in North Korea aboard a cruise ship on Sept. 25.
- Vietnam will ban steel imports in to offset rising domestic productioo and falling demand, the Vietnam News reported, citing officials.
- Toray Industries Inc., Japan's biggest producer of nylon fibers, will acquire the "Ultrasuede" trademarks and sales business of Springs Industries Inc., a U.S. home furnishings maker, for $15 million.

Reuters, Bloomberg

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HITACHI LTD.
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The undersigned announces that as from July 15, 1998 at Kas-Associatie N.V., Amsterdam, div. cpn. no. 52 (accompanied by an "Affidavit") of the CDRs Hitachi Ltd. will be payable with Dfls. 33,16 per CDR repr. 500 shs. and with Dfls. 66,62 per CDR repr. 1.000 shs. (div. per rec-date 31.03.98, gross Yen 5,5 p. sh.) after deduction of 15% Japanese tax = Yen 412,50 = Dfls. 5,92 per CDR repr. 500 shs., Yen 825,- = Dfls. 11,84 per CDR repr. 1.000 shs. Without and Affidavit 20% Japanese tax = Yen 550,- = Dfls. 7,90 per CDR repr. 500 shs. Yen 1.100,- = Dfls. 15,80 per CDR repr. 1.000 shs., will be deducted. After 30.09.1998 the dividend will only be paid under deduction of 20% Jap. tax with Dfls. 31,33; Dfls. 62,66 resp. 500 and 1.000 shs. in accordance with the Japanese tax regulations.

AMSTERDAM DEPOSITARY COMPANY N.V.
Amsterdam, July 2, 1998

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(CDRs)

The undersigned announces that as from July 15, 1998 at Kas-Associatie N.V., Amsterdam, div. cpn. no. 54 (accompanied by an "Affidavit") of the CDRs Dai-Nippon Printing Ltd. will be payable with Dfls. 10,36 per CDR repr. 100 shs. and with Dfls. 103,60 per CDR repr. 1.000 shs. (div. per rec-date 31.03.98, gross Yen 9,50 p. sh.) after deduction of 15% Japanese tax = Yen 142,50 = Dfls. 2,04 per CDR repr. 100 shs., Yen 1.425,- = Dfls. 20,40 per CDR repr. 1.000 shs. Without and Affidavit 20% Japanese tax = Yen 190,- = Dfls. 2,73 per CDR repr. 100 shs., Yen 1.900,- = Dfls. 27,30 per CDR repr. 1.000 shs., will be deducted. After 30.09.1998 the dividend will only be paid under deduction of 20% Jap. tax with Dfls. 9,67; Dfls. 96,70 resp. 100 and 1.000 shs. in accordance with the Japanese tax regulations.

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Amsterdam, July 2, 1998

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WORLD STOCK MARKETS

Friday, July 3
Daily prices in local currencies.
Telekurs

Amsterdam
AEX index: 1343.25 Previous: 1329.04

	High	Low	Close	Prev.
ABN-AMRO	48.50	47.00	48.50	48.30
Aegon	184.40	180.00	183.90	180.40
Ahold	66.10	65.50	66.00	65.80
Akzo Nobel	456.80	448.70	452.20	452.20
ASM Litho.	63.00	60.60	62.70	60.90
ASR Verz.	179.50	178.10	178.90	179.00
Baan Co.	88.00	78.90	87.70	77.80
Bols Wess cvd	29.30	29.00	29.00	29.00
Cap Gemini	116.30	173.00	175.50	176.00
CSM cva	101.50	100.70	102.20	103.20
Deutsche Pet	106.00	104.30	104.80	106.20
DSM	215.00	213.10	213.50	215.00
Elsevier	31.50	30.80	31.30	31.30
Fortis Amev	124.00	121.90	123.90	123.60
Getronics	105.60	102.10	104.50	105.00
Hagemeyer	94.40	92.20	94.30	92.20
Heineken	83.50	82.70	83.30	83.00
Hoogovens cva	94.20	92.50	94.10	92.60
Hunt Douglas	115.50	113.40	115.00	114.90
IHC Caland	118.80	116.60	118.70	117.00
ING Group	138.30	135.10	137.80	136.50
KLM	86.10	84.40	85.80	85.90
KNP BT	55.20	54.20	55.10	54.10
KPN	79.40	76.50	79.00	78.50
Nedlloyd	41.80	41.20	41.80	41.50
Numico	65.40	64.50	65.40	64.70
Oce	87.30	85.40	87.20	87.50
Philips Elec	183.20	178.60	182.20	180.40
Polygram	105.30	104.10	105.30	104.10
Randstad Hdg	124.90	124.10	124.20	125.00
Robeco	233.30	231.40	233.30	232.00
Rodamco	52.80	52.40	52.40	52.60
Rolinco	125.90	125.60	125.90	125.30
Royal Dutch	114.30	112.40	113.10	114.30
Unilever cva	169.30	166.20	168.90	166.50
Vendex	79.00	77.80	79.40	77.70
VNU	77.80	76.90	77.60	77.40
Wolters Kl cva	281.00	276.20	281.00	277.80

Athens
Composite index: 2587.85 Previous: 2528.90

	High	Low	Close	Prev.
Commercial Bk	25400	23585	23700	25000
Ergo Bk	28590	27800	28000	28180
Hellenic Bottlg	9850	9430	9430	9850
Hellenic Telecom	8800	8300	8700	8400
Heracles Cemnt	7700	7505	7505	7605
Natl Bank	44500	42500	43750	43650
Titan Cement	22490	21605	21790	21640

Bangkok
SET index: 273.74 Previous: 277.98

	High	Low	Close	Prev.
Adv Info Svc	194.00	185.00	189.00	180.00
Bangkok Bk F	62.50	54.50	62.50	59.00
BEC World	171.00	167.00	168.00	175.00
Delta Electron.	254.00	248.00	254.00	250.00
Elec. Gener. F	78.00	73.50	74.00	80.00
Krung Thai Bk	5.70	5.40	5.50	5.70
PTT Explor F	342.00	336.00	342.00	336.00
Siam Cement F	222.00	218.00	218.00	224.00
Telecomasia F	13.00	12.50	12.75	12.75
Thai Airways	36.75	35.75	36.75	34.50
Thai Farm Bk F	35.75	32.50	35.00	35.75

Bombay
Sensex 30 index: 3089.82 Previous: 3180.73

	High	Low	Close	Prev.
Bajaj Auto	555.00	544.00	547.25	553.75
Bharat Hvy El	230.50	220.40	222.10	231.00
Bharat Petim	320.00	314.00	320.00	325.00
Hindust Lever	1554.00	1500.25	1517.25	1525.25
Hindust Petim	376.00	357.50	358.75	379.50
Ind Dev Bk	64.00	62.55	62.95	64.05
ITC	634.75	616.00	619.00	634.50
Larsen Toubro	217.00	211.80	212.30	218.00
Mahanagar Tel	175.80	167.00	168.00	176.50
Reliance Ind	142.40	138.00	138.00	141.30
State Bk India	207.20	198.00	198.30	205.70
Tata Eng Loco	156.50	148.40	149.00	158.20

Brussels
BEL-20 index: 3549.19 Previous: 3546.52

	High	Low	Close	Prev.
Almanij	3420	3330	3395	3400
Cobepa	2240	2690	2710	2690
Delhaize Lion	2800	2740	2800	2725
Dexia Belgium	5900	5810	5900	5820
Electrabel	12000	11800	11975	12025
Electrafina	4900	4870	4880	4890
Fortis AG	9900	9780	9850	9820
GBL	7800	7700	7710	7830
Gen Banque	28900	28500	28825	28675
KBC Bancassur	3060	3030	3060	3045
Petrofina	16000	15925	15925	16000
Royale Belge	14650	14425	14475	14500
Soc Gen Belg	6580	6510	6550	6500
Solvay	3135	3055	3135	3065
Tractebel	6030	5940	5950	6030
UCB	272000	207200	207800	206000

Buenos Aires
Merval index: 579.04 Previous: 572.39
Thursday, July 2

	High	Low	Close	Prev.
Banco Frances	8.10	8.07	8.10	7.90
Bco Galicia BA	4.62	4.60	4.60	4.67
Perez Companc	5.37	5.30	5.37	5.23
Renault Arg	2.19	2.16	2.19	2.15
Siderar A	3.93	3.90	3.90	3.90
Siderca	1.86	1.82	1.82	1.83
Telecom Arg B	6.30	6.15	6.30	6.05
Telefonica B	3.41	3.35	3.41	3.30
YPF D	31.00	30.80	31.00	30.70

Copenhagen
Stock Index: 739.56 Previous: 737.81

	High	Low	Close	Prev.
BG Bank	434	427	429	430
Carlsberg B	525	509	518	515
Danisco	486	164.50	480	477
Den Danske Bk	865	853	860	857
D/S Svendborg B	82000	81000	82000	81000
D/S 1912 B	59500	58500	59000	59000
Novo Nordisk B	957	949.05	955	950
Ratio B	1471	1449	1470	1460
Tele Danmk B	695	658.68	695	675
Unidanmark A	621	615	618	621

Frankfurt
DAX: 5953.14 Previous: 5904.10

	High	Low	Close	Prev.
AMB R	210.80	210.00	210.20	210.20
Adidas	309.00	297.00	301.00	312.50
Allianz	619.00	608.00	618.50	604.00
Altana	142.00	139.00	141.00	141.50
Audi	1910.00	1870.00	1900.00	1895.00
Axa Colonia	228.00	218.00	220.00	225.00
Bk Berlin	37.75	37.20	37.20	37.40
BASF	89.70	88.45	89.70	88.20
Bayer	96.80	95.70	96.00	95.80
Bayer Hypo Bk	114.70	113.00	113.70	112.15
Bay Vereinsbank	153.70	151.70	153.50	153.00
Beiersdorf	125.00	119.00	125.00	119.30
Bewag	78.50	78.00	78.50	78.15
BHW Holding	31.40	31.20	31.20	31.30
BMW	1835.00	1815.00	1835.00	1820.00
Commerzbank	69.00	47.90	69.00	68.10
Daimler Benz	182.50	179.00	182.50	179.40
Degussa	113.60	118.50	113.60	111.00
Deutsche Bank	152.25	148.75	150.00	152.40
Deut Telekom	51.00	50.60	51.70	50.90
Dresdner Bank	97.20	95.80	96.00	94.90
Energie BW	72.00	71.00	72.00	72.00
Ergo Vers.	325.00	318.00	319.00	325.00
Fresenius	340.50	329.00	340.50	324.00
Fresenius Med	121.50	118.00	121.50	118.00
Fr. Krupp Hoes	356.00	353.00	355.00	353.00
Gehe	103.80	101.00	103.80	102.50
Heidelbg Zmt	179.00	173.00	176.50	175.50
Henkel pfd	179.50	175.00	175.40	178.50
Hoechst	96.80	94.70	96.25	94.50
Karstadt	895.00	845.00	891.00	847.00
Lahmeyer	90.00	88.00	89.00	89.50
Linde	1265.00	1240.00	1262.00	1251.00
Lufthansa R	50.20	49.20	50.20	49.00
MAN	804.00	737.00	764.00	735.00
Mannesmann	194.80	188.40	194.80	187.50
Metallgesellschaft	37.80	37.20	37.50	37.40
Metro	110.90	109.00	109.60	109.00
Munich Rueck R	897.00	881.00	882.00	883.00
Preussag	655.50	641.00	655.00	640.00
RWE	105.00	99.00	99.50	102.10
RWE-DEA	515.00	490.00	515.00	510.00
SAP	1075.00	1058.00	1063.00	1063.00
Schering	227.50	222.00	224.90	223.10
Siemens	110.30	106.80	109.00	108.10
Springer (Axel)	1351.00	1345.00	1351.00	1335.00
Thyssen	477.00	469.00	472.00	470.00
Veba	118.10	112.70	118.10	114.30
VEW	563.00	563.00	563.00	563.00
Viag	1374.00	1298.00	1298.00	1300.00
Volkswagen	1869.00	1814.00	1868.00	1819.00
Wuerttem. Vers.	2590.00	2580.00	2590.00	2590.00

Helsinki
HEX General index: 5222.36 Previous: 5141.75

	High	Low	Close	Prev.
Cultor 2	92.00	89.00	90.50	89.00
Enso R	59.00	58.10	58.50	58.50
Huhtamaki I	314.00	310.00	314.00	312.40
Merita A	31.30	34.10	37.30	34.40
Metra B	188.00	185.00	187.00	187.00
Neste	175.00	175.00	175.00	171.00
Nokia A	431.50	415.00	431.00	421.80
Orion-Yhtymae	167.00	147.00	167.00	168.00
Outokumpu	67.50	64.50	65.00	67.50
Pohjola Ins. B	303.00	295.00	302.50	295.00
Raisio V	99.00	97.00	98.70	97.50
Sampo Ins. A	273.50	249.00	272.00	268.00
UPM Kymmene	150.50	149.50	150.50	150.00

Hong Kong
Hang Seng: 8639.31 Previous: 8866.16

	High	Low	Close	Prev.
Amoy Props	5.10	6.00	5.00	5.15
Bk East Asia	8.60	8.50	8.48	8.85
Beijing Ent.	12.30	11.80	12.00	12.70
Cathay Pacific	6.05	5.75	6.05	6.00
Cheung Kong	39.60	38.60	38.90	40.00
CK Infrastruct	15.50	14.80	14.95	16.00
China Merchant	4.75	4.60	4.65	4.85
China Overs	1.00	0.97	0.99	1.02
China Resource	8.15	7.25	7.35	8.00
CLP Holdings	34.10	32.90	33.40	34.50
Citic Pacific	14.55	13.95	14.40	14.55
Comp Pacific	2.93	2.83	2.85	3.00
Dao Heng Bk	11.80	11.20	11.80	11.75
Hang Lung Dev	8.00	7.00	7.85	8.20
Hang Seng Bk	45.50	44.50	45.30	45.90
Henderson Inv	4.30	4.10	4.18	4.20
Henderson Ld	26.30	25.70	26.30	26.65
HK China Gas	9.10	8.85	9.05	9.30
HK Electric	25.40	24.80	25.30	25.20
HK Telecomm	15.15	14.70	14.95	15.00
HSBC Hdgs	192.00	188.00	190.50	194.50
Hutchison Wh	42.90	41.00	41.70	43.10
Hysan Dev.	6.70	6.55	6.60	6.80
Johnson El Hdg	30.70	29.90	30.10	30.70
Ka Wah Bank	3.10	3.03	3.08	3.25
Natl Mutual	5.15	5.05	5.15	5.05
New World Dev.	15.10	14.40	14.70	15.45
New World Infr.	9.45	8.95	9.20	9.70
Shanghai Ind.	18.50	17.50	17.70	18.90
Shangri-La Asia	5.40	5.20	5.30	5.35
SHK Props	[illegible]	33.50	33.70	35.20
Sino Land Co.	2.90	2.50	2.73	2.93
Swire Pac A	30.30	29.40	29.40	29.90
Wharf Hdgs	8.20	7.85	8.00	8.30
Wheelock	4.80	4.45	4.45	5.00
Yue Yuen Ind.	13.95	13.50	13.00	13.85

Istanbul
National 100 index: 4485.85 Previous: 4392.88

	High	Low	Close	Prev.
Akbank	9500	8800	9500	8800
Anadolu Isuzu	25500	24500	25500	24500
Haci Omer Sab	19000	17500	19000	17750
KOC Holding	56000	53000	56000	53000
Tupras	46000	43500	45500	44500
Turk Hava	29000	24500	29000	27000
Turk Bankasi	12000	11250	12000	11500

Jakarta
Composite index: 470.55 Previous: 466.37

	High	Low	Close	Prev.
Astra Intl	1150	1025	1100	1075
Gudang Garm	9650	9200	9550	9650
Indah Kiat	3300	3100	3250	3100
Indocement	4000	3975	4000	4000
Indofood	1675	1575	1675	1650
Indorama Syn	1400	1275	1350	1400
Indosat	18000	17000	17800	17500
Sampoerna HM	2375	2225	2375	2350
Semen Gresik	N.T.	N.T.	N.T.	9150
Tambang Tim	7050	6900	7050	6900
Telekomunikasi	4350	4125	4350	4350
Texmaco Perk	3000	3000	3000	3000

Johannesburg
All Market: 7083.99 Previous: 6921.15

	High	Low	Close	Prev.
ABSA Group	35.00	32.60	32.80	34.30
AngloAm Corp	239.00	223.00	239.00	221.00
AngloAm Ind	102.00	98.00	98.00	99.00
AngloAm Plat	87.00	78.00	78.00	80.00
Barlow	31.90	31.15	31.25	31.60
Bidvest Grp	45.50	44.25	45.00	45.50
Billiton	13.55	13.25	13.45	13.25
BOE	6.87	6.74	6.74	6.78
Coronation N	92.00	91.00	91.50	90.00
De Beers	119.00	114.00	115.00	115.80
Dimension Data	33.50	31.60	31.80	33.30
Fedsure Hdgs	67.50	63.00	67.00	67.00
FirstRand	9.30	8.90	9.20	8.90
Genbel Sec	67.10	65.50	65.50	67.00
Imperial Hdgs	60.00	58.80	58.90	59.20
Investec Hdgs	231.00	223.00	230.00	227.00
Johnnies Indl	54.80	52.00	53.00	51.80
Liberty Hdgs	313.00	310.00	310.00	310.00
Liberty Life	116.00	113.20	115.00	115.00
LibLife Strat	16.75	15.75	16.00	16.75
Met Life	16.00	15.90	16.00	15.90
Minorco	78.00	76.00	76.00	77.10
Nampak	14.05	13.50	13.00	14.00
NBS Boland	8.00	7.50	7.45	7.90
Nedcor	125.00	121.40	123.00	123.00
Oxion Select	7.50	7.00	7.30	7.20
Persetel Q Data	58.60	56.00	57.00	55.90
Primedia Uts	40.00	39.05	39.05	40.45
Rembrandt Gp	39.00	37.10	38.00	37.00
Richemont	84.20	82.50	82.70	81.80
SA Breweries	127.00	122.40	127.00	122.80
Sasol	44.00	37.00	40.00	37.00
SBIC	23.50	23.00	23.00	23.40
Smith (C.G.)	16.00	14.50	16.00	15.25
Tiger Oats	54.00	51.00	52.00	50.00

Kuala Lumpur
Composite: 472.78 Previous: 478.20

	High	Low	Close	Prev.
Berjaya Sports	6.85	6.50	6.85	6.65
Genting	8.00	7.75	8.00	8.00
Golden Hope	3.64	3.56	3.58	3.66
KL Kepong	7.45	7.25	7.40	7.50
Magnum	1.60	1.53	1.54	1.63
Mal Banking	4.38	4.22	4.34	4.36
Mal Intl Ship F	6.75	6.25	6.65	6.25
Petronas Gas	7.90	7.65	7.85	7.90
Public Bk F	1.37	1.32	1.32	1.27
Resorts World	4.64	4.48	4.60	4.66
RHB Capital	1.82	1.75	1.79	1.80
Rothmans PM	29.00	28.75	29.00	28.75
Sime Darby	3.08	2.95	2.99	3.14
Telekom Mal	7.85	7.25	7.55	7.85
Tenaga	5.15	4.98	5.15	5.15
YTL	3.74	3.48	3.68	3.68
YTL Power	2.30	2.25	2.30	2.31

London
FT-SE 100: 5988.40 Previous: 5940.20

	High	Low	Close	Prev.
Abbey Natl	10.99	9.50	10.42	10.64
Alliance Leic	8.20	7.68	7.96	7.99
Allied Domecq	5.76	5.57	5.74	5.61
Arjowiggins	6.33	6.15	6.29	6.08
Anglian Water	8.85	8.55	8.65	8.42
ASDA Group	2.07	2.02	2.05	2.04
Assoc Br Foods	5.88	5.80	5.82	5.75
BAA	6.60	6.45	6.51	6.50
Bank Scotland	6.94	6.78	6.82	6.80
Barclays	17.50	16.50	17.33	17.26
Bass	11.43	11.11	11.35	11.47
BAT Ind	6.37	6.10	6.22	6.23
BG	3.70	3.62	3.67	3.63
Billiton	1.80	1.27	1.30	1.32
Blue Circle	3.55	3.48	3.53	3.49
BOC Group	8.73	8.40	8.58	8.65
Boots	10.03	9.97	10.02	9.98
Brit Assur	11.55	11.50	11.55	11.48
Brit Aerosp	4.99	4.87	4.90	4.87
Brit Airways	6.76	6.65	6.70	6.70
Brit Energy	5.40	5.27	5.30	5.24
Brit Land	6.22	6.12	6.17	6.13
Brit Petm	9.19	8.90	8.97	9.10
Brit Steel	1.44	1.36	1.36	1.40
Brit Telecom	8.28	7.50	7.72	7.65
BSkyB	4.50	4.20	4.45	4.38
BTR	1.70	1.73	1.76	1.76
Burmah Castrol	10.78	10.40	10.45	10.71
Cable Wireless	8.05	7.85	7.97	7.90
CW Comms	6.27	6.11	6.22	6.11
Cadbury Schw	9.85	9.55	9.75	9.62
Carlton Comm	5.53	5.36	5.45	5.38
Centrica	1.04	1.02	1.03	1.02
CGU	11.58	11.32	11.48	11.40
Compass Group	6.73	6.55	6.72	6.58
Daily Mail A	27.87	27.40	27.87	27.70
Diageo	7.35	7.22	7.26	7.29
Dixons Group	5.10	5.00	5.05	5.03
EMAP	12.98	12.42	12.93	12.61
EMI Group	5.25	5.11	5.17	5.14
Enterprise Oil	5.79	5.54	5.63	5.51
Gallaher Group	3.68	3.48	3.60	3.46
GEC	5.55	5.35	5.45	5.36
GKN	8.40	8.26	8.30	8.26
Glaxo Wellcome	18.45	18.01	18.35	18.19
Granada Group	11.30	10.95	10.97	11.01
GRE	3.74	3.68	3.40	3.72
GUS	8.20	7.87	7.96	8.11
Halifax	8.00	7.70	7.80	7.90
Hays	9.72	9.40	9.71	9.50
HSBC Hdgs	15.07	14.65	14.93	14.94
HSBC Hdgs 75p	15.74	14.85	15.60	15.61
ICI	9.94	9.70	9.81	9.83
Impl Tobacco	4.85	4.70	4.78	4.80
Kingfisher	4.89	4.90	4.84	4.80
Ladbroke	3.26	3.19	3.19	3.23
Land Sec	9.55	9.27	9.31	9.27
Lasmo	2.44	2.38	2.40	2.42
Legal Genl Grp	6.83	6.68	6.73	6.71
Lloyds TSB Grp	8.70	7.50	8.55	8.62
Lucas Varity	2.45	2.38	2.42	2.44
Marks Spencer	5.51	5.40	5.45	5.48
MEPC	5.32	5.26	5.30	5.31
Misys	34.50	33.87	34.12	34.10
National Grid	4.30	4.19	4.27	4.20
National Power	5.80	5.50	5.65	5.66
NatWest	11.12	10.75	11.12	10.92
Next	5.32	5.25	5.26	5.25
Northern Rock	5.35	5.08	5.23	5.25
Norwich Union	4.51	4.36	4.37	4.46
Nycomed Amer	4.70	4.32	4.50	4.54
Orange	7.15	6.78	7.80	6.80
P&O	9.36	8.90	9.32	8.90
Pearson	11.33	11.08	11.17	11.15
PowerGen	8.68	8.32	8.36	8.40
Provident Fin	9.63	9.40	9.50	9.41
Prudential	8.08	7.91	7.97	7.99
Railtrack Group	14.70	14.20	14.65	14.53
Rank Group	3.22	3.14	3.19	3.17
Reckitt Colman	11.70	11.30	11.50	11.54
Reed Intl	5.55	5.44	5.51	5.46
Rentokil Initial	4.48	4.38	4.47	4.39
Reuters Group	6.85	6.76	6.79	6.82
Rio Tinto R	6.93	6.85	6.89	6.90
RMC Group	10.55	10.25	10.43	10.50
Rolls Royce	2.70	2.59	2.68	2.60
Royal Bk Scot	10.73	10.24	10.24	10.39
Royal & Sun All	6.50	6.31	6.31	6.36
Safeway	4.05	3.90	3.94	3.96
Sainsbury	5.55	5.46	5.53	5.52
Schroders	17.00	16.25	16.40	16.30
Scot Newcastle	8.38	8.02	8.11	8.20
Scot Power	5.53	5.25	5.38	5.32
SEMA Group	7.58	7.06	7.40	7.19
Severn Trent	10.43	10.10	10.23	10.20
Shell Transp R	4.30	4.24	4.25	4.26
Siebe	12.40	11.20	12.15	12.12
SmithKline	7.68	7.42	7.55	7.43
Smiths Ind	8.55	8.38	8.48	8.43
Sthern Elec	5.65	5.55	5.58	5.59
Stand Charter	7.09	6.50	6.92	7.04
Sun Life Prov	5.75	5.56	5.59	5.58
Tate & Lyle	4.97	4.86	4.93	4.88
Tesco	6.05	5.80	6.00	5.86
Thames Water	11.10	10.50	11.00	10.65
3i Group	6.30	6.10	6.10	6.12
TI Group	4.86	4.70	4.82	4.73
Tomkins	3.54	3.35	3.42	3.35
Unilever	7.00	6.70	6.86	6.70
Utd News	8.88	8.70	8.77	8.72
Utd Utilities	9.13	8.79	9.13	8.84
Vodafone	8.37	8.10	8.26	8.19
Whitbread	9.93	9.61	9.73	9.73
Williams Hdgs	3.88	3.81	3.84	3.84
Wolseley	3.70	3.62	3.64	3.63
Woolwich	3.40	3.10	3.28	3.32
WPP Group	4.13	4.06	4.12	4.07
Zeneca	25.90	25.27	25.77	25.81

Madrid
Bolsa index: 916.50 Previous: 904.17

	High	Low	Close	Prev.
ACESA	2455	2425	2455	2440
Aguas Barcelon	8800	8600	8720	8650
Argentaria	N.A.	N.A.	N.A.	13280
BBV	8190	8020	8190	8040
Banesto	1900	1850	1900	1870
Bankinter	10440	10240	10390	10300
Bco Centro Hisp	5090	4955	5090	4930
Bco Popular	13800	13280	13800	13250
Bco Santander	N.A.	N.A.	N.A.	7790
Catalana Occid	5260	4955	5000	5230
CEPSA	5740	5660	5740	5720
Continente	3700	3630	3645	3600
Corp Mapfre	5850	5630	5850	5630
Endesa	3425	3380	3425	3375
FECSA	1395	1360	1390	1350
Fom Constr	8000	7820	7940	7930
Gas Natural	12050	11860	12020	11970
Grupo Acciona	38990	37600	38900	37850
Iberdrola	2535	2505	2515	2495
Pryca	3010	2925	2970	2945
Repsol	8750	8610	8750	8600
Sevillana Elect	1765	1710	1750	1750
Tabacalera	3460	3225	3440	3220
Telefonica	7410	7370	7410	7350
Union Fenosa	1980	1950	1965	1950
Valenc Cement	3965	3885	3960	3940

Manila
PSE index: 1859.24 Previous: 1856.19

	High	Low	Close	Prev.
Ayala	12.25	11.70	12.25	12.00
Ayala Land	12.75	12.25	12.50	12.75
Bk Philip Isl	96.00	89.00	95.00	89.50
Manila Elec A	72.50	72.00	72.50	72.00
Manila Elec B	115.00	112.00	114.00	116.00
Metro Bank	250.00	243.00	248.00	247.00
Petron	4.50	4.15	4.30	4.50
Phil Long Dist	1025.00	1000.00	1015.00	1025.00
San Miguel A	44.00	42.00	44.00	42.50
San Miguel B	62.00	58.00	62.00	58.50
SM Prime Hdg	6.90	6.80	6.80	6.80

Mexico
Bolsa index: 4469.78 Previous: 4431.80
Late trading

	High	Low	Close	Prev.
Alfa A	39.00	39.30	39.60	39.30
Banacci B	19.86	19.60	19.00	19.50
Bancomer B	3.90	3.83	3.86	3.83
Bimbo A	19.70	19.48	19.68	19.48
Carso A1	40.50	39.00	40.50	40.40
Carso Gl Tel A1	28.60	28.00	28.30	28.00
Cemex CPO	36.90	35.35	36.70	35.40
Cifra C	12.76	12.60	12.70	12.60
Inbursa B	24.25	24.00	24.00	24.00
KimClark Mex A	33.30	32.50	32.80	32.75
Televisa CPO	175.90	175.20	175.90	174.50
TelMex L	21.85	21.50	21.85	21.00

Milan
MIB Telematico: 23876.00 Previous: 23622.00

	High	Low	Close	Prev.
Alleanza Assic	24950	24300	24600	24550
Bca Comm Ital	11965	11415	11945	11415
Bca Fideuram	11060	10755	10910	10900
Bca Intesa	10280	9990	10090	10145
Bca Pop Verona	169000	167300	168500	168500
Bca di Roma	3465	3425	3435	3405
Benetton	3780	3735	3780	3735
Comparf	1654	1630	1646	1644
Credito Italiano	9850	9525	9795	9545
Edison	15450	14910	15325	14960
ENI	11990	11700	11900	11900
Fiat	8320	8155	8255	8145
Fondiaria Assic	10800	10480	10795	10400
Generali Assic	60000	59100	60000	59500
IFIL, mc	5100	4970	5090	4905
IMI	29850	29300	29700	29600
INA	5305	5195	5245	5165
Italgas	7790	7550	7790	7450
Mediaset	11590	11460	11590	11365
Mediobanca	23800	22850	23750	23050
Montedison	2290	2250	2280	2270
Olivetti	2940	2835	2915	2870
Parmalat	3765	3685	3750	3765
Pirelli	5850	5745	5840	5835
RAS	25500	25200	25350	25300
Rolo Banca	44200	43400	44200	43500
S Paolo Torino	27900	27200	27500	28050
Telecom Italia	14050	13715	14005	13770
TIM	11450	11300	11420	11380

Montreal
Industrials index: 4028.66 Previous: 4012.60
Late trading

	High	Low	Close	Prev.
BCE Mob Com	38.35	38.00	38.35	37.10
Biochem Pharm	37.50	37.00	37.40	36.80
Cdn Util A	46.35	46.35	46.35	46.25
CT Finl Svc	57.25	57.10	57.10	57.50
Gt-West Lifeco	51.50	50.75	51.25	51.85
Imasco	27.50	27.20	27.45	27.20
Investors Grp	53.85	53.85	53.85	53.75
Loblaw Cos	35.00	34.85	35.00	34.95
Natl Bk Canada	29.25	29.10	29.20	29.20
Power Corp	68.50	68.25	68.50	68.30
Power Finl	68.75	68.75	68.75	68.35

Oslo
OBX index: 707.83 Previous: 707.42

	High	Low	Close	Prev.
Aker A	120.00	120.00	120.00	120.00
Aker Maritime	140.00	140.00	140.00	140.00
Bergesen Dy A	147.50	146.00	146.50	148.00
Christiania Bk	32.50	31.00	32.50	32.10
Den norske Bk	41.80	41.00	41.80	41.20
Kvaerner	289.00	280.00	289.00	283.00
Netcom	232.00	220.00	227.00	220.00
Norsk Hydro	349.00	341.00	345.50	341.50
Norske Skog A	242.00	240.00	242.00	245.00
Nycomed Amer	58.00	56.00	56.50	51.50
Orkla A	185.00	181.00	183.00	182.00
Petm GeoSvc	240.00	238.50	240.00	240.00
Saga Petm A	122.00	120.00	122.00	122.00
Schibsted	130.00	120.00	130.00	131.00
Storebrand	68.50	67.50	68.00	68.00

Paris
CAC-40: 4304.38 Previous: 4252.09

	High	Low	Close	Prev.
Accor	1750	1700	1750	1716
AGF	345.50	337.50	342.50	343.40
Air Liquide	1019	996	1019	999
Alcatel Alsth	1261	1251	1259	1255
Alstom	200.80	190	198	198
Axa	717	706	717	705
BIC	438	429	438	430.50
BNP	528	511	526	515
Bouygues	1130	1111	1123	1110
Canal Plus	1135	1119	1133	1118
Cap Gemini	981	945	975	974
Carrefour	3880	3811	3869	3821
Casino	507	494	504	500
CCF	529	522	525	522
Christian Dior	803	790	801	797
Danone	1717	1668	1715	1665
Dassault Sys	275.10	266	275.10	275.20
Dexia France	855	844	852	847
Elf-Aquitaine	880	867	880	866
Eridania BS	1375	1345	1370	1332
Essilor Intl	2625	2560	2620	2625
Eurodisney	11.95	11.35	11.95	11.35
Eurotunnel	6.65	6.55	6.55	6.55
France Telecom	419	406.70	412	416.50
Lafarge	655	630	651	632
Lagardere	260	249	259.60	249.70
Legrand	1625	1595	1600	1601
L'Oreal	3429	3363	3414	3363
LVMH	1288	1266	1280	1274
Michelin B	377	356.60	373.10	352.30
Paribas A	656	640	643	647
Pechiney A	250.50	246	250	245.60
Pernod Ricard	428	424	426	426
Peugeot Cit	1394	1316	1379	1325
Pinault-Print	5380	5170	5360	5160
Promodes	3339	3251	3310	3302
Renault	388	356.50	388	356.30
Rexel	2680	2655	2671	2674
Rh-Poulenc A	343.40	339.30	339.30	340
Sanofi	742	732	735	736
Schneider	468	455	455	463
STMicroelectronics	421.70	411.50	417.90	411.50
Ste Generale A	1357	1310	1332	1309
Sodexho Alliance	1218	1160	1215	1184
St Gobain	1147	1131	1132	1130
Suez Lyon Eaux	1029	1011	1025	1015
Synthelabo	1020	1016	1020	1020
Thomson CSF	237.50	235.10	236	235.20
Total B	801	794	800	798
Usinor	92.65	91	91	91.55
Valeo	655	634	636	625
Vivendi	1309	1294	1308	1291

Prague
PX 50 index: 482.60 Previous: 479.20

	High	Low	Close	Prev.
Cska Sporitelna	272	255	272	260
CEZ	966	927	957.00	950.10
Csko Plavba	62.17	62.11	62.11	68.88
Cokoladovny	5631	5631	5631	5631
Komercni Bnka	1171	1087	1171	1097
SPT Telecom	484	456	482.40	472.60
Unipetrol	82.10	74.70	81.16	76.26

São Paulo
Bovespa index: 10115.51 Previous: 9900.84
Late trading

	High	Low	Close	Prev.
Bco Brasil Pfd	12.79	12.21	12.66	12.25
Bradesco Pfd	09.70	09.49	09.69	09.50
Brahma Pfd	760.00	755.00	755.00	759.00
Cemig Pfd	38.80	37.50	38.50	37.20
CESP Pfd	34.00	32.40	34.00	32.50
Copel Pfd B	11.30	10.70	11.30	10.70
Eletrobras	36.10	35.40	35.50	35.40
Eletropaulo Pfd	97.00	91.99	97.00	92.00
Gerdau Pfd	16.10	15.80	15.80	15.80
Itaubanco Pfd	700.00	675.00	700.00	675.00
Light Servicos	340.00	336.00	340.00	340.00
Petrobras Pfd	228.00	219.99	228.00	220.00
SABESP	148.90	145.00	148.90	150.00
Telebras Pfd	132.00	129.00	132.00	128.80
Telerj Pfd	85.01	83.00	85.01	84.00
Telesp Pfd	265.99	261.00	265.99	264.00
CVRD Pfd	26.00	25.00	25.50	24.20

Seoul
Composite index: 308.53 Previous: 311.77

	High	Low	Close	Prev.
Daewoo Heavy	5110	4780	4850	4970
Hyundai Elec.	21300	21300	21300	24200
Kookmin Bank	5850	5500	5500	5850
Korea El Pwr	16200	15800	15500	15250
LG Electronics	12850	12200	12200	12400
LG Semicon	12650	11600	11600	12250
Pohang Iron St	46000	42000	43800	42300
Samsung Display	46900	43100	44800	46000
Samsung Elec	47500	45100	45600	46700
Samsung Fire	268000	251000	251000	265000
Shinhan Bank	4950	4730	4800	4800
SK Telecom	474000	440000	450000	475000

Shenzhen
B shares index: 80.45 Previous: 81.59

	High	Low	Close	Prev.
Bengang Steel	1.36	1.33	1.35	1.36
China Intl Marin	4.00	3.90	3.90	4.00
Guangdg El Pwr	2.90	2.60	2.60	2.85
Shandg Chenm	3.32	3.11	3.27	3.29
SZ Fangda	5.95	5.80	5.83	5.83
SZ Konka Elec	7.45	6.96	6.96	6.96
Shenzhen Seg	3.68	3.55	3.67	3.62
Tsann Kuen	1.97	1.82	1.95	1.97

B shares only; quoted in Hong Kong dollars.

Singapore
Straits Times: 1122.67 Previous: 1124.87

	High	Low	Close	Prev.
City Devlts	4.96	4.70	4.76	4.98
Cycle Carriage	4.48	4.34	4.42	4.38
Dairy Farm Intl *	1.14	1.11	1.12	1.13
DBS foreign	9.85	9.50	9.85	9.70
DBS Land	1.54	1.44	1.51	1.50
Fraser & Neave	4.90	4.66	4.68	4.80
HK Land *	1.25	1.23	1.23	1.26
Jard Matheson *	2.95	2.72	2.74	3.00
Jard Strategic *	1.89	1.84	1.89	1.90
Keppel Corp.	2.81	2.60	2.78	2.71
OCBC foreign	6.25	5.90	6.20	6.10
OS Union Bk F	3.94	3.82	3.92	3.98
Sing Air foreign	8.75	8.45	8.50	8.75
Sing Land	3.68	3.44	3.50	3.76
Sing Press	13.90	12.40	12.90	12.70
Sing Tech Eng	1.26	1.22	1.22	1.26
Sing Tech Ind	1.34	1.27	1.30	1.29
Sing Telecomm	2.54	2.50	2.51	2.55
Utd O'Sea Bk F	5.80	5.45	5.80	5.60

*: in U.S. dollars.

Stockholm
SX 14 index: 4389.90 Previous: 4347.59

	High	Low	Close	Prev.
AGA B	130.00	125.00	129.00	126.00
ABB A	121.00	118.50	121.00	119.50
ABB B	120.50	116.00	120.50	119.00
AssiDoman	232.50	224.50	232.50	227.00
Astra A	165.50	164.00	166.50	164.50
Astra B	161.50	160.00	160.50	159.50
Atlas Copco A	220.00	217.50	219.50	218.00
Electrolux B	141.00	134.50	140.50	135.00
Ericsson B	242.00	235.50	241.50	238.00
Forenings Spar	244.50	241.50	243.00	243.00
Hennes B	533.00	520.00	532.00	520.00
Incentive A	151.50	149.50	150.00	150.50
Investor B	475.00	469.00	469.00	473.00
NetCom Sys	324.00	313.00	322.00	315.00
Nordbanken Hdg	60.50	58.00	60.50	59.00
Pharm/Upjohn	387.80	372.00	385.00	376.00
Sandvik B	221.00	218.00	218.00	211.00
Scania B	206.50	201.50	206.50	199.00
SCA B	209.50	204.00	206.00	206.00
S-E Banken A	139.00	137.00	138.50	137.50
Skandia Fors	119.50	116.00	118.50	118.50
Skanska B	357.50	355.00	356.00	357.50
Stora A	124.50	122.50	124.00	123.50
Sv Handels A	370.50	260.00	370.00	366.00
Volvo B	257.00	155.00	257.00	260.00

Sydney
All Ordinaries: 2743.10 Previous: 2742.70

	High	Low	Close	Prev.
Amcor	1.35	7.19	7.19	7.44
AMP	19.95	19.65	19.74	19.90
ANZ Bkng	11.42	11.34	11.44	11.46
Aust. Gas Light	10.90	10.59	10.87	10.65
BHP	14.12	13.97	14.09	14.20
Boral	3.06	3.00	3.02	3.08
Brambles Ind.	34.00	33.00	33.50	33.15
CBA	19.54	19.36	19.36	19.46
CC Amatil	10.50	10.35	10.48	10.48
Coles Myer	6.64	6.52	6.63	6.50
Colonial	5.15	5.00	5.15	5.01
Comalco	5.90	5.87	5.87	5.90
CSR	4.85	4.78	4.83	4.86
Fosters Brew	3.84	3.78	3.83	3.80
Gen. Prop. Tr.	2.77	2.73	2.74	2.77
Lend Lease	33.94	32.79	33.90	32.90
Nat Aust Bank	21.90	21.47	21.80	21.49
Nat Mutual Hdg	3.59	2.50	3.57	3.56
News Corp	13.00	12.83	12.92	13.10
Pioneer Intl	4.12	4.00	4.04	4.00
Pub Broadcast	7.20	7.07	7.20	7.13
Rio Tinto	18.80	18.70	18.72	18.89
St George Bank	10.34	10.15	10.29	10.26
Southcorp	4.85	4.72	4.74	4.70
Telstra	4.39	4.24	4.36	4.35
WMC	5.14	5.08	5.11	5.18
Westfield Trust	3.28	3.21	3.24	3.25
Westpac Bkng	10.30	10.12	10.23	10.18
Woodside Pet	8.40	8.33	8.36	8.40
Woolworths	5.28	5.19	5.23	5.25

Taipei
Stock Market index: 7758.63 Previous: 7817.11

	High	Low	Close	Prev.
Acer	42.90	42.00	42.00	43.10
Adv. Semi	62.00	60.00	60.50	62.50
Asustek Comp.	284.00	278.00	279.00	286.00
Cathay Life Ins.	116.00	111.00	112.50	112.00
Chang Hwa Bk	72.00	69.00	69.50	69.50
China Devlpmt	85.00	82.00	82.00	84.50
China Steel	21.30	21.80	21.80	21.20
First Comm. Bk	69.50	66.00	66.50	67.50
Formosa Plastic	47.90	47.10	47.70	48.00
Hon Hai Prec.	186.00	179.00	179.00	184.00
Hua Nan Bk	70.00	66.00	66.50	68.00
Intl Comm. Bk	46.80	45.10	45.10	46.20
Nan Ya Plastics	47.90	47.00	47.20	47.50
Shin Kong Life	78.00	74.00	75.50	73.50
Taiwan Semi	75.00	72.00	72.50	75.50
Utd Micro Elec.	40.70	39.50	39.70	41.10
Utd World Chin.	42.20	41.20	41.20	42.00

Market Closed

The stock market in Tel Aviv is closed on Fridays.

Tokyo
Nikkei 225: 16511.24 Previous: 16471.50

	High	Low	Close	Prev.
Acom	6880	6700	6700	6750
Advantest	8010	7800	7950	7870
Ajinomoto	1255	1232	1236	1255
All Nippon Air	508	494	500	491
Asahi Bank	630	597	600	636
Asahi Brew	1834	1800	1820	1830
Asahi Chem	543	528	539	548
Asahi Glass	800	783	800	803
Bk Tokyo Mitsu	1545	1475	1514	1548
Bridgestone	3370	3280	3370	3310
Canon	3250	3180	3240	3200
Cent. Japan Ry	5320a	5240a	5290a	5780a
Chubu Elec	2115	2090	2100	2085
Chugoku Elec	2095	2070	2085	2080
Dai Nipp Print	2330	2280	2305	2330
Dai-Ichi Kang	858	800	852	867
Daiwa House	1320	1260	1320	1320
Daiwa Sec	650	628	642	653
DDI	5220a	4990a	5100a	5200a
Denso	2460	2375	2415	2450
East Japan Ry	6940a	6800a	6840a	6770a
Ebara	1905	1890	1895	1938
Fanuc	4900	4800	4870	4850
Fuji Bank	660	608	634	648
Fuji Photo	4980	4860	4920	4870
Fuji TV Netwk	5750a	5610a	5720a	5700a
Fujitsu	1510	1485	1490	1513
Hachijuni Bk	1170	1143	1164	1153
Hitachi	924	890	894	933
Honda Motor	5050	5010	5050	5060
IBJ	885	837	849	880
Ito-Yokado	7110	6970	6990	7160
JAL	405	391	401	403
Japan Tobacco	9690a	9520a	9600a	9410a
Jusco	2750	2675	2735	2800
Kansai Elec	2440	2415	2425	2420
Kao	2200	2155	2180	2200
Kawa Steel	295	260	286	266
Keyence	16400	15700	16080	15700
Kinki Nipp Ry	660	653	659	660
Kirin Brewery	1300	1286	1291	1288
Komatsu	723	701	715	722
Kyocera	6800	6650	6710	6740
Kyushu Elec	2175	2155	2115	2170
LTCB	74	66	68	76
Marui	2140	2085	2135	2125
Matsu Comm	4100	3900	4060	3890
Matsu Elec Ind	2240	2205	2225	2220
Matsu Elec Wk	1160	1136	1159	1150
Matsu-Kotobuki	3410	3310	3320	3460
Minebea	1410	1379	1401	1419
Mitsubishi	968	938	951	975
Mitsubishi El	325	317	320	325
Mitsubishi Est	1301	1241	1300	1305
Mitsubishi Hvy	563	546	561	560
Mitsubishi Tr	1290	1101	1203	1229
Mitsui	825	797	816	810
Mitsui Marine	730	717	776	730
Mitsui Fudosn	1101	1117	1156	1185
Murata Mfg	4680	4560	4570	4700
NEC	1329	1294	1321	1299
Nichiei	10300	9990	10000	10300
Nikko Sec	656	610	650	642
Nintendo	12850	12500	12850	17400
Nipp Express	787	771	787	781
Nippon Oil	476	455	469	474
Nippon Paper	625	605	617	625
Nippon Steel	272	255	269	263
Nissan Motor	452	442	447	457
Nomura Sec	1705	1648	1692	1713
NTT	1200b	1170b	1180b	1100a
NTT Data	5400b	5240b	5330b	5380b
Oji Paper	658	630	645	645
Omron	2100	2040	2060	2200
Oriental Land	5420	5350	5370	5400
Orix	9780	9650	9720	9800
Osaka Gas	352	345	347	347
Promise	5980	5880	5950	6010
Ricoh	1575	1554	1560	1560
Rohm	14400	14400	14400	14290
Sakura Bk	403	375	389	398
Sankyo	3280	3190	3240	3310
Sanwa Bank	1310	1250	1267	1300
Sanyo Elec	420	407	415	411
Secom	8050	7980	7980	8030
Seibu Rwy	4500	4290	4290	4500
Sekisui House	1150	1112	1130	1120
Seven-Eleven	8750	8410	8670	8450
Sharp	1130	1100	1113	1115
Shin-etsu Ch	2475	2410	2430	2480
Shiseido	1670	1652	1652	1652
Shizuoka Bk	1498	1477	1497	1477
SMC	10800	10620	10620	10610
Softbank	6050	5860	5860	5850
Sony	12140	11890	12040	11890
Sony Music Ent	6090	6000	6060	6050
Sumitomo	749	710	729	736
Sumitomo Bk	1480	1391	1449	1442
Sumit Chem	459	443	459	456
Sumit Elec	1489	1459	1479	1480
Sumit Marine	843	820	838	859
Sumit Metal	235	224	231	229
Sumit Trust	648	613	641	659
Suzuki Motor	1340	1300	1316	1325
Taisho Pharm	2700	2650	2650	2710
Takeda Chem	3790	3670	3770	3720
Takefuji	7000	6900	6950	6930
TDK	10330	10090	10100	10170
Tohoku El Pwr	2050	2035	2045	2040
Tokai Bank	800	760	780	800
Tokio Marine	1454	1420	1446	1453
Tokyo El Pwr	2710	2690	2700	2700
Tokyo Electron	4590	4480	4490	4640
Tokyo Gas	312	309	311	310
Tokyu Corp.	437	420	423	426
Toppan Print	1580	1520	1541	1550
Toray Ind	740	771	731	731
Toshiba	600	587	590	592
Toyo Trust	710	690	700	713
Toyoda Loom	2455	2425	2445	2420
Toyota Motor	3590	3530	3590	3530
West Japan Ry	5330a	5160a	5170a	5330a
Yamanouchi	2890	2795	2870	2805
Yamato Transp.	1585	1560	1582	1588
Yasuda Fire	685	639	663	644

a: x 100; b: x 1,000

Toronto
TSE Industrials: 7309.32 Previous: 7370.55
Late trading

	High	Low	Close	Prev.
Abitibi Cons.	19.85	19.15	19.75	19.25
Alberta Energy	34.05	33.80	34.00	34.10
Alcan Alum	40.20	40.05	40.05	40.25
Ballard Pwr Sys	46.75	45.35	45.90	46.50
Bk Montreal	82.20	81.40	81.75	82.00
Bk Nova Scotia	37.50	37.10	37.40	37.25
Barrick Gold	27.15	27.00	27.10	27.15
BCE	62.60	62.25	62.50	62.35
BC Telecomm	55.40	55.00	55.00	55.40
Bombardier B	40.65	40.40	40.50	40.50
CIBC	48.40	48.15	48.30	48.35
Cdn Natl Rail	78.60	77.75	78.60	77.90
Cdn Nat Res	25.00	24.75	24.80	24.75
Cdn Occid Pet	31.85	31.60	31.70	31.80
Cdn Pacific	40.70	40.45	40.50	40.50
Du Pont Cda A	44.50	44.50	44.50	44.00
EdperBrascan	24.90	24.60	24.60	24.80
Fairfax Finl	575.00	570.00	575.00	575.00
Falconbridge	17.00	16.70	16.90	16.65
Geac Computer	49.00	48.50	48.90	48.45
Imperial Oil	26.30	25.75	26.20	25.80
Inco	19.90	19.70	19.80	19.75
IPL Energy	66.85	66.40	66.75	66.60
Laidlaw	15.95	15.10	15.20	15.70
Magna Intl A	102.45	101.75	102.40	102.45
Newbridge Net	35.15	34.55	35.00	34.95
Newcourt Credit	70.95	70.00	70.35	70.90
Noranda Inc	25.05	24.80	24.95	25.10
Northern Telecom	84.90	83.20	84.75	82.65
Nova	N.A.	N.A.	N.A.	16.80
Pancdn Petlm	21.50	21.50	21.50	21.75
Petro Cda	23.70	23.60	23.65	23.60
Placer Dome	16.50	16.40	16.50	16.50
Potash Sask	108.60	108.25	108.30	109.85
Renaissance	22.40	22.15	22.30	22.10
Royal Bk Cda	89.90	89.30	89.85	89.45
Royal Grp Tech	42.80	42.65	42.80	42.65
Seagram Co	60.55	60.00	60.20	60.40
Shell Cda A	25.95	25.55	25.65	25.95
Suncor	51.00	50.15	51.00	51.00
Talisman Eny	43.45	42.05	42.45	42.45
Teleglobe	39.50	39.00	39.35	39.05
Telus	31.85	27.60	27.70	27.60
Thomson	44.60	44.25	44.50	44.40
TorDom Bank	61.60	67.25	67.40	67.00
Torstar	23.75	23.25	23.75	46.50
Transalta	23.70	23.50	23.55	23.75
TransCda Pipe	27.00	26.75	26.95	32.40
Trizec Hahn	32.35	32.10	32.25	32.30
Westcoast Eny	33.20	33.00	33.05	33.00
Weston	53.50	52.50	52.50	53.25

Vienna
ATX index: 1535.66 Previous: 1510.71

	High	Low	Close	Prev.
Bank Austria	1087	1058	1084	1057.90
Bund. Vers.	1049	1049	1049	1050
Creditanst Pfd	1437	1380	1437	1395
EA-Generali	3765	3700	3765	3700
Erste Bank	793	786	791.90	787
EVN	1917	1880	1890.20	1885
OMV	1157	1723	1740	1721
Oest Elektriz	1619.90	1565	1600	1577
VA Tech	1698	1667	1695	1649
Wienerberg Bau	3080	3051	3071	3069

Wellington
NZSE-40 index: 2043.04 Previous: 2054.20

	High	Low	Close	Prev.
Air N Zeald B	2.02	1.95	1.95	2.05
Brierly Invt	0.97	0.96	0.97	0.97
Carter Holt ord	1.92	1.90	1.90	1.92
Fletch Ch Bldg	2.57	2.50	2.50	2.58
Fletch Ch Eny	5.00	4.80	4.98	4.76
Fletch Ch Paper	2.25	2.20	2.22	2.26
Indep. News	6.85	6.80	6.85	6.80
Lion Nathan	4.38	4.30	4.36	4.35
Sky Network	2.58	2.50	2.50	2.50
Telecom NZ	8.35	8.26	8.30	8.38

Zurich
SPI index: 5053.41 Previous: 5021.76

	High	Low	Close	Prev.
ABB B	2373	2347	2363	2343
ABB R	485	475.50	484	477
Adecco	664	643	651	638
Alusuisse R	1991	1954	1991	1950
Ares-Serono B	2200	2175	2200	2183
Baer Hdg B	4770	4750	4770	4755
Baloise Hdg R	1379	1337	1354	1327
BK Vision	423	414.50	423	416
Ciba Spec Chem	201	197.50	201	200.50
Clariant R	1000	982	992	996
Crd Suisse Gp R	347.50	344	346	345.50
Ems-Chemie	8860	8800	8810	8850
Holderbank B	2045	2005	2040	2025
Liechtenst LB B	944	931	940	930
Nestle R	3360	3324	3352	3332
Novartis B	2580	2566	2574	2560
Novartis R	2575	2555	2570	2550
Oerlikon Buehr R	290	285	287.50	286.50
PharmVisn B	900	900	903	902
Richemont A	2050	1990	2015	2040
Rieter Hdgs	1105	1077	1100	1093
Pirelli B	355	352.50	352.50	355.50
Roche Hdg PC	15320	15150	15175	15060
SAir Group R	489	482	483	489
Saurer R	1600	1565	1600	1572
SBC R	N.A.	N.A.	N.A.	585
Schindler PC	2392	2330	2392	2365
SGS B	2620	2587	2595	2610
Swatch Group B	1211	1192	1196	1203
Swatch Group R	254	251.50	253	252
Sulzer R	1267	1245	1253	1256
Sulzer Medic R	420	409.50	420	410.50
Swiss Life B	1300	1265	1270	1269
Swiss Reins R	4010	3900	3911	3989
UBS B	N.A.	N.A.	N.A.	2723
UBS R	N.A.	N.A.	N.A.	546
UBS SIMA	271	269.50	271	269
Zurich Assur R	1036	1006	1028	991

Clinton, in One-Day Visit To Hong Kong, Meets An Urban Nonchalance

By Mark Landler
New York Times Service

HONG KONG — They call this city the Manhattan of Asia. And on Friday, as President Bill Clinton wound up his visit to China by touring across the city to make a speech, attend some meetings, and do a bit of shopping, Hong Kong treated the leader of the free world with New York-style insouciance.

"I'm not paying any attention to him," said Chu Shu-san, a 48-year-old newsstand vendor with a shrug, as he sold copies of papers with Mr. Clinton's picture on the front page. "He's just in transit anyway."

To be fair, Mr. Clinton attracted a good crowd for the speech about the relationship between the United States and Asia. But the audience of local and foreign business leaders responded tepidly to his call for a speedier introduction of democracy to this former British colony, which reverted to Chinese rule a year ago.

"We debated this issue for five years in the 1980s," said Vincent Lo, a leading property developer, in a somewhat grumpy tone, as he rose to leave after Mr. Clinton's half-hour speech.

"We know the good points and the bad points of democracy, and we know we mustn't rush into it."

Mr. Clinton, the first sitting U.S. president to visit Hong Kong, came here three times before entering the White House, and he clearly likes the place.

"I think it's quite appropriate for our trip to end in Hong Kong, because, for us Americans, Hong Kong is China's window on the world," he said.

Still, the 24-hour stop lacked the high drama of his televised debate with President Jiang Zemin, his freewheeling give-and-take with students at Beijing University, or even the solemn welcoming ceremony at Tiananmen Square.

On a rainy day here, few people lined the streets to see Mr. Clinton's motorcade. When the first lady, Hillary Rodham Clinton, and her daughter, Chelsea, slipped away to do some shopping at Shanghai Tang, a boutique that specializes in updated Mao-style clothing, they barely drew a crowd.

Even "Primary Colors," the film adaptation of the satire on the Clinton presidency, has flopped here.

The movie, which opened in Hong Kong the day after Mr. Clinton arrived in China, has earned a fraction of the box-office of the most popular current film, "True Mob Story."

One reason for the lack of drama is that Hong Kong's troubles are more economic than political. People here are worried about the swooning stock market, the plummeting value of real estate, and the stability of the Hong Kong dollar — topics that do not lend themselves to soaring rhetoric or street theater.

Mr. Clinton praised Hong Kong and China for not devaluing their currencies and he endorsed a $200 billion plan announced Thursday by the Japanese government to take over failing banks and protect depositors.

The president did not ignore political issues. He applauded the record voter turnout in Hong Kong's legislative elections two months ago, saying that "the results were a mandate for more democracy, not less, and faster, not slower, strides toward political freedom."

After his speech, Mr. Clinton met privately for 20 minutes with Martin Lee, Hong Kong's most prominent democratic politician. Mr. Lee, who lost his seat in the legislature when Beijing dissolved the body before the handover and regained it in the recent elections, told the president he hoped that half of the council's 60 seats would be directly elected in 2000 — compared with 20 seats now.

Samuel Berger, the national security adviser, said Mr. Clinton listened attentively to Mr. Lee but did not express an opinion on any specific proposals to speed up democracy in Hong Kong. "I don't think it's for us to get into the specifics of what the timetable of that might be," he said.

Despite Mr. Clinton's reluctance to talk numbers, Mr. Lee said the meeting was "terrific." He said the president responded positively to his argument that the "Hong Kong government should be encouraged to develop democracy, so they can see that it works well under Chinese rule."

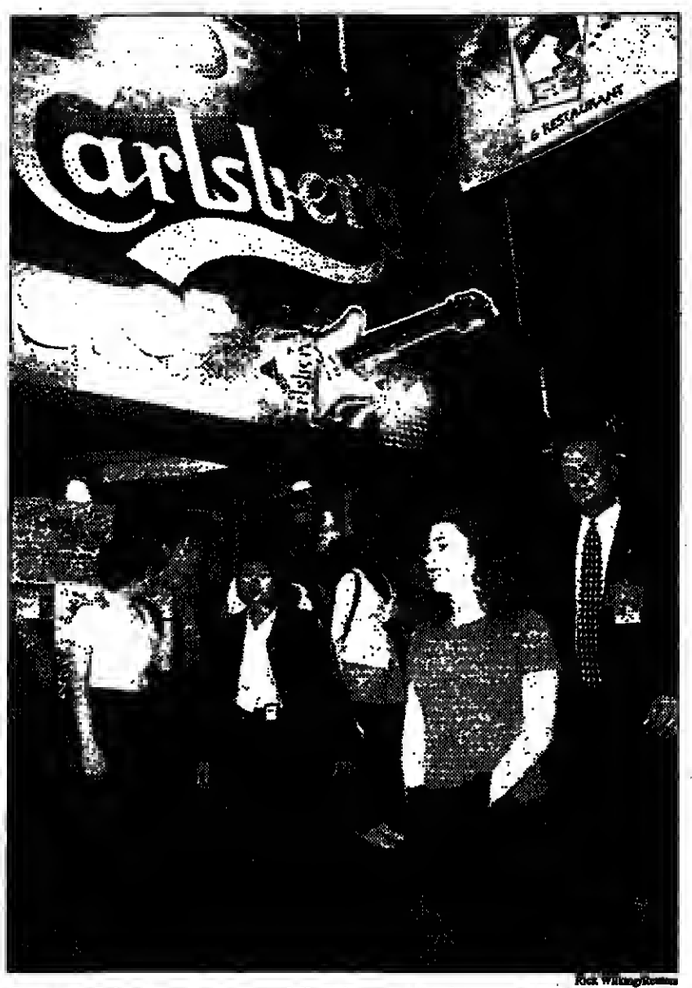
Later in the morning, Mr. Clinton met several other democratically elected legislators. One participant, Tsang Yok-sing, the head of Hong Kong's largest pro-Beijing party, said the president "showed that he has a positive attitude toward developing a constructive relationship with the Chinese leadership."

After his news conference, Mr. Clinton and his family stopped off for some last-minute shopping on their way to Hong Kong's new $20 billion airport.

The president's use of the airport is about the only part of his visit that has generated local interest.

Air Force One landed six hours after the departure of President Jiang, who had been in Hong Kong to mark the first anniversary of the handover.

The Hong Kong Standard devoted much of its article on Mr. Clinton to a discussion of the presidential flights.



Rick Wilking/Reuters

Chelsea Clinton, daughter of President Bill Clinton, strolling past a Hong Kong club Friday while her father was winding up his China visit.

SUMMIT: *Clinton Ends Visit With Praise*

Continued from Page 1

al rights. The president made it plain that his optimism extends past Mr. Jiang to the larger question of the fate of a regime that Mr. Clinton has described as an authoritarian anachronism — a state that has embraced private enterprise but continues to imprison political dissenters.

Mr. Clinton said that he believed democracy would come to China in his lifetime and likened the timing to the question of when a woman will become president of the United States: It will be a "a good thing" when it happens, he said, but is impossible to predict with any precision.

"I believe that leaders of vision and imagination and courage will find a way to put China on the right side of history and keep it there," he said.

Such rhetorical bouquets are sure to be condemned as naive by those — including human rights activists and a wide spectrum of China analysts — with a less-flowery view of Mr. Jiang.

But Mr. Clinton insisted that his optimism about change in China did not rest solely on sentiment or on whether he has correctly viewed the intentions of one person. After going through what he called "wild swings" of history from the Communist revolution in 1949 to Mao's Cultural Revolution to the 1989 crackdown on students, the Chinese will in time realize that democratic institutions will give them the stability that totalitarianism has not, Mr. Clinton predicted.

"When people are going through changes, they may not believe this is as morally right as we do, but I think they will be able to see that it is in their interest to do this," he said.

He said that to avoid "these wild swings where society is like a pressure cooker that blows the top off," there must be some institutional way where people who have honest grievances can express them.

Mr. Clinton himself seemed to have little personal rapport with Mr. Jiang, with both leaders stiffly formal in each other's presence.

At their most recent previous meeting, in Washington in October, the two seemed to be talking directly past each other when they discussed human rights — with Mr. Clinton asserting that rights of individual liberty should be universal and Mr. Jiang repeating the official refrain that what China needed most was social order.

The interaction between the two leaders, though not necessarily their willingness to adapt to the other's views, had clearly changed by the time they stood together for a joint news conference in the Great Hall of the People on Tiananmen Square.

Mr. Clinton's criticisms were politely delivered, even hedged, but the Chinese people watching on television were exposed to a critique of the government that had never been allowed before. On Friday, Mr. Clinton said the session "changed the whole texture of the visit."

That he would sound such an ebullient note at the end of his trip was all the more striking given his team's defensiveness at the start. He left Washington under criticism over China policy on several fronts, from critics of arms proliferation and especially from human rights advocates, for agreeing to be officially received at an honor guard ceremony at Tiananmen Square.

And once in China the problems threatened to get worse, with administration officials fearing a lasting debacle when the authorities began detaining dissidents along Mr. Clinton's itinerary.

But aides said they believed the succession of dramatic moments — Mr. Clinton's and Mr. Jiang's debating human rights at the news conference, Mr. Clinton's fielding sometimes-pointed questions from students at Beijing University — would change the political climate over China policy in Washington.

CLINTON: *China Visit Leaves Good Feeling and Lifts Leaders' Status – but Can It Last?*

Continued from Page 1

ical superpower, the United States. Despite the paucity of diplomatic breakthroughs, the friendly, tactful demeanor of Mr. Clinton and Mr. Jiang's bold decision to temporarily loosen the usual tight controls on political discourse helped create a happy feeling about Chinese-American relations.

But the Chinese could be in for morning-after dismay when the unresolved differences rear up again.

These include the United States' huge and growing trade deficit with China and its refusal to consider Chinese admission to the World Trade Organization until painful changes are made to open markets.

American concerns over political and religious freedoms may have been muffled this week, but China is not about to become a liberal democracy, and concerns about weapons proliferation have not yet been fully satisfied either.

Because of its own economic cycle, its efforts to revamp the vast state-run economic sector and the Asian financial crisis, China may be in for a rough period economically in any case.

Still, the old-guard Communist hardliners in the government who might lead an anti-American reaction seem to have been routed from real influence over the last year by Mr. Jiang and the pragmatists.

Chinese officials and experts, sounding quite like American officials on the subject, say they hope that the goodwill and low-profile technical ties forged by the reciprocal state visits will help the two countries live through their differences. "The problems are still here," said Xiong Zhiyong, dean of the Foreign Affairs College in Beijing. "But I think both sides now understand each other better."

The hope, in Beijing as well as in the White House, is that an overarching sense of partnership will enable these two giants to avoid dangerous conflict — a military confrontation over the Taiwan issue being the worst case — and to reap mutual economic benefits. The Americans, rightly or wrongly, also believe that by engaging China they will nudge it to become more open and democratic.

Chinese people, like Americans, are pondering the meaning of Mr. Jiang's decision to allow televising of an extended discussion of Tibet, human rights and the 1989 killings. It was done in the most tentative of ways: There was no pre-announcement, ensuring a small Saturday-noon audience, and Mr. Clinton's most direct words on 1989 and the Dalai Lama and democracy were not reported in the official media.

It is unclear how this limited but genuine public airing will play out — whether the Chinese government will feel emboldened to allow more free debate at home, whether people's expectations of free speech will change.

But there is no doubt about the short-term gains, for China as well as for Mr. Clinton.

"The cost to China was relatively small compared to the benefits," said Yasheng Huang, a Chinese-born political economist at the Harvard Business School. "The American public and media were happy with the trip."

President Urges More Hong Kong Democracy

By Keith B. Richburg
Washington Post Service

HONG KONG — President Bill Clinton met privately Friday with Hong Kong's leading campaigner for human rights and publicly called for the first time for a quicker expansion of Hong Kong's democracy.

Still, at least one popular politician — Emily Lau, who heads the new Frontier Party — said that Mr. Clinton had not gone far enough because he declined to endorse any specific timetable to move Hong Kong to full democratic elections.

In a morning speech to an audience made up largely of business leaders, Mr. Clinton said the heavy voter turnout in May to elect a legislature proved that Hong Kongers wanted "more democracy, not less." In a private meeting an hour later with Martin Lee, whose Democratic Party swept to office in that vote, Mr. Clinton reiterated his interest in seeing Hong Kong move faster toward fuller democracy.

Samuel Berger, the U.S. national security adviser, said later that Mr. Clinton's remarks on Hong Kong's democracy were meant to convey a new message here. "I think the statement he made was further than anybody has gone before," Mr. Berger said in an interview. "It's a new statement. It's support for faster democratization."

That theme — that Hong Kong should speed up the pace of its democratization — was also pushed by the U.S. secretary of state, Madeleine Albright, in a meeting with Anson Chan, Hong Kong's top civil servant.

By taking on the issue of Hong Kong's democracy, the Clinton administration has weighed in on one of the most contentious issues dividing Hong Kong's conservative and cautious government officials and the vocal pro-democracy politicians who have just taken up their seats in the territory's first elected legislature under Chinese rule.

Mr. Lee said after his 20-minute meeting with Mr. Clinton, which included a wide-ranging discussion of democratization across Asia, that he was pleased with the president's strong emphasis on pushing for more pluralism and openness in a region that has long resisted change.

He was the only politician selected to meet privately with Mr. Clinton, solidifying his credentials here as the territory's premier political party leader. Other party leaders later met the president as a group.

IRAN: *The Anniversary of an American 'Crime' Marked in Gulf*

Continued from Page 1

Statue of Liberty. The father of a 5-year-old boy dressed his son in camouflage fatigues and draped a banner across his chest that read in English, "Down with U.S.A."

When the ferry reached its destination near the island of Hengham near the Strait of Hormuz, small pleasure speedboats that the Iranians had transformed into military vessels circled the ferry.

As a white-uniformed navy band played in the summer heat, weeping women and other passengers flung armfuls of red, white and coral gladiolas over the side of the boat. Two American-made Sikorsky helicopters flew overhead, dropping flowers into the water.

"I'm still waiting for my father," said Farideh Ameri, a 13-year-old girl swathed in black, whose father, an Iran Air official, was among those killed. "Whenever I look at the sea, I am reminded that my father isn't coming back." Asked whether she could ever forgive the United States for the shoot-down, she said, "Never. Nothing replaces my father."

Mohsen Rezaian, whose son was one of the pilots of the plane, said he had nothing to tell the American people. "What can I say?" he asked. "My son is gone. What do you want me to say?"

The shoot-down alternately angers and mystifies the Iranians. How could the U.S.S. Vincennes, with all its sophisticated gadgetry, mistake a regularly scheduled passenger plane heading across the Gulf from Bandar Abbas to Dubai for a military plane poised to attack?

A Pentagon investigation concluded that the mistakes were not technological but human, caused by "the fog of war and those human elements which affect each individual differently."

Although the Central Command, responsible for Gulf operations, recommended that Lieutenant Commander Scott Lustig, the Vincennes' anti-air warfare officer, receive a mild reprimand, the recommendation was overruled.

Kianoosh Dorranie/Agence France-Presse

Women on Friday preparing to throw flowers from a ship at the Gulf site where the Iran Air jetliner fell after being hit by a U.S. missile.

In 1990, Commander Lustig was granted two navy commendation medals for his service on the Vincennes.

The commander of the Vincennes, Will Rogers 3d was given the Legion of Merit for "exceptionally meritorious conduct" during the period of his command.

Eventually, the United States paid families of the victims $300,000 for each wage-earner and $150,000 for each non-wage-earner who had died. Iran was paid $40 million for the loss of the plane.

The Iranians were clearly torn Friday between their determination to shine the spotlight on the tragedy and their desire to follow the lead of President Mohammed Khatami and soften their tone toward the United States. Mr. Khatami has made it clear that he has no use for the burning of the American flag or the slogan "Death to America."

But following a speech filled with fury, Gorbani Husseini, an official with the Foundation to Preserve the Values of Sacred Defense, which was host to Friday's event, beckoned the passengers to chant "Mag bar Amrika" ("Death to America") with him. They did, but only three times. And when he led them in chanting the slogan in English, he watered it down to "Down with America."

When asked by a reporter why Iranians were still chanting "Death to America" when Mr. Khatami had said he did not like it, Ahmed Reza Kazemi, the general manager of state-owned Iran Air, said, "What President Khatami has said is the rule."

But Mr. Chamran begged to differ. "There is no law preventing slogans against America," he said. "President Khatami hasn't issued an edict banning them."

Good News to our readers in Marseille and the Southeast of France: The IHT is available at all these fine news agents.

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Kiosque Presse
Place des Prêcheurs
Kiosque Presse
Place de l'Hôtel de Ville

AIX LES MILLES
Tabac Presse
"Le Mercure", Bat. A
Rue Ampère

ARLES
Kiosque Presse
Place Lamartine
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Kiosque Presse
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Kiosque Presse
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Kiosque Presse
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MONDAY: SPORTS

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Drugmakers Need R&D To Thrive

Medicines in 'Pipeline' Are Key to the Value Of Industry's Stocks

By Judith Rehak
International Herald Tribune

FOR investors interested in the pharmaceutical industry, some of the best opportunities for profit lie in the research laboratories of drug companies, where scientists work for years on formulas that the companies hope will result in products that cure diseases, alleviate suffering or just grow hair on bald heads. If one turns out to be a blockbuster, the returns can be spectacular — an obvious example being Viagra, the new impotence drug from Pfizer Inc., which has analysts predicting eventual sales as high as $10 billion a year.

Stewart Adkins, an analyst with Lehman Brothers in London, said research-and-development activity represents one-third to one-half of an investment decision, making it "absolutely vital." A pharmaceuticals maker's drugs in development, its so-called pipeline, "drive the company's long-term growth," he said.

The money spent by drugmakers to fund research is staggering. Typically, a company will pour 16 percent to 17 percent of its sales back into research and development. At Pfizer, one of the most consistently successful in bringing new drugs to market, that added up to $1.9 billion last year, just under 16 percent.

But simply spending large amounts of money on R&D does not guarantee results. Mr. Adkins noted that Roche Holding AG of Switzerland spent as much as 23 percent of sales annually throughout the late 1980s and early 1990s. "It's hard to justify that spending in terms of what they've done so far," he observed.

He emphasized the importance of managing a drug's life cycle in the market, from introduction to peak sales and to the time when it will no longer have an exclusive patent. Another crucial factor, he noted, is marketing clout.

Currently, one of Mr. Adkins' top picks is Glaxo Wellcome PLC. Earnings at the British pharmaceutical maker have been hurt in the past two years by the expiration of the patent for Zantac, its popular anti-ulcer medication, but it now has 20 new drugs in Phase 3 trial, the stage just prior to filing with the U.S. Food and Drug Administration for approval. Among the new products are a new AIDS drug, and Lamivudine, against hepatitis B, which has some 300 million carriers in the world. Glaxo has filed to sell the drug in China, elsewhere in Asia, and the United States.

Mr. Adkins also approves of Glaxo's marketing capabilities, especially its direct-to-consumer advertising in America, where it handles "tens of thousands" of patient inquiries on its toll-free telephone number. "They're not leaving any opportunities on the table," he said. He is estimating earnings per-share of 55 pence (91 cents) this year and 64.9 pence in 1999.

At Merrill Lynch & Co. in London, Janet Dyson favors Novartis AG of Switzerland. One of the most important things to consider, she said, is how new products coming out of a company's pipeline fit in with the old.

In the case of Novartis, she likes the lineup, especially two new products that treat Alzheimer's disease and Parkinson's disease, each with the potential to bring in 500 million Swiss francs ($325 million) a year in sales, followed by two promising drugs down the line in two years, one for helping organ-transplant patients and the other for a type of psoriasis. "Those last two could be even bigger," she said.

But it also becomes clear why research and development are so costly when Ms. Dyson noted that it typically takes eight years for a drug to go from conception to market. "Exelon was relatively quick, about six-and-a-half years," she observed, referring to Novartis's new Alzheimer's treatment, the first to be approved in Europe. In another important move, Novartis announced recently that it will invest $250 million over the next decade in a genetic research center in America, where it would have the first opportunity to develop commercial products from any discoveries in this new field to emerge from the center.

The critical role of research and development was underscored last year when Bristol-Myers Squibb Co., whose R&D has lagged its competitors, hired Peter Ringrose, the former research chief of Pfizer.

While it is common in the pharmaceutical industry for a big player with deep pockets to farm out research and development of a drug to smaller concerns, Bristol-Myers had become too reliant on such alliances to fill their drug pipeline, said Sarah Ross, an analyst with Edward T. Jones, a St. Louis brokerage, who has a buy rating on the stock.

"Now they realize it's more profitable to develop in-house, because they won't have to pay a cut of the profits to a drug developer," she said. Under its new research chief, the company will

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The World's Biggest Spenders in Research and Development

	R&D spending, in billions of pounds	R&D as a percentage of sales		R&D spending, in billions of pounds	R&D as a percentage of sales
General Motors	£4.98 billion	4.9%	NTT	£1.54	3.7%
Ford Motors	3.85	4.1	Volkswagen	1.49	3.9
Siemens	2.75	7.6	Intel	1.43	9.4
IBM	2.62	5.5	Hoechst	1.35	7.7
Hitachi	2.35	5.9	Bayer	1.34	7.2
Toyota	2.11	3.7	Sony	1.32	5.2
Matsushita Electric	2.03	5.7	Northern Telecom	1.30	13.9
Daimler-Benz	1.91	4.6	Johnson & Johnson	1.30	9.5
Hewlett-Packard	1.87	7.2	Bell Canada Enterprises	1.24	8.8
Ericsson Telefon	1.86	14.5	Philips	1.22	5.3
Lucent Technologies	1.84	11.5	Roche	1.21	13.5
Motorola	1.67	9.2	Honda Motor	1.17	4.7
Fujitsu	1.65	7.8	Pfizer	1.17	15.8
NEC	1.63	7.0	Microsoft	1.17	16.9
Asea Brown Boveri	1.61	8.5	Boeing	1.17	4.2
El du Pont de Nemours	1.58	5.8	Glaxo Wellcome	1.15	14.4
Toshiba	1.55	8.1	Alcatel Alsthom	1.11	6.8
Novartis	1.54	11.8	Robert Bosch	1.10	7.0

Source: The Department of Trade and Industry

International Herald Tribune

Trick: Using Discoveries Fast and Well

Low-Tech Firms Profit From Innovation But They Can Be Hard to Spot

By Sharon Reier

ANECDOTAL evidence that investment in research and development benefits even low-tech companies is compelling, but unfortunately, investors cannot just search out the biggest spenders, executives and analysts said.

Research spending is difficult to quantify, and in some industries companies that take big chunks of their revenue and plow it back into developing new products and services are actually penalized by the market.

"Companies that spend a lot of their own money on R&D as a percentage of sales do not necessarily add to shareholder value," said Ron Jonash, who heads Arthur D. Little Inc.'s practice on technology and innovation management.

The consultancy recently conducted a study of research at 669 international companies. Mr. Jonash said his team found: "In innovation, the most important thing driving performance is how well and how fast you deploy the technology. Companies that manage innovation well do have a high correlation with performance."

Certainly, there are companies that do it well, and not just in Silicon Valley, although low-tech industries tend to spend a lower proportion of their sales on research. Consider Gillette Corp., the maker of toiletries and associated products. It spends 2.2 percent of its $10 billion in annual sales on research and development, about twice the level of the average household products company, though far less than the double-digit figure of Microsoft Corp.

Even in a high-priced American stock market, Gillette fetches a premium among investors, with its stock selling at nearly 46 times its latest 12-month earnings and nearly 40 times prospective earnings, roughly 1.5 times the comparable ratios for the overall market. Investors who have held the stock throughout the decade have seen their money multiply more than 10 times.

Yet Gillette is not resting on its laurels. Although it already dominates the world market for razors, the company this month plans to roll out a new model, the Mach3, which bonds diamond-hard carbon to slivers of steel to make shaves smoother. Gillette has invested $750 million on developing the Mach3.

An even bigger spender, relative to its sales, is Valeo SA, the French auto parts company that last month added ITT Industries Inc.'s electrical systems operation to its business. Valeo said it spends 6 percent of its sales on R&D and as much as 9 percent on electrical and lighting systems. Valeo sells at about 21 times trailing earnings, and investors who have held it throughout the 1990s have seen the value of their shares quadruple.

Mr. Jonash of Arthur D. Little said it was not so much the research spending that investors prize as their success in turning the ideas into innovative products and services. This, he said, was a change from the early part of the decade, when the focus was on cutting costs. "In the early 1990s there was a strong emphasis on lean production and overhead cost reduction," he stated. "You could look at shareholder value industry by industry and those valued highest were those pursuing cost cutting."

Over the last few years, however, "the leaders in virtually all industries are those who have highlighted innovation and how to grow the business," Mr. Jonash continued.

He cited Chrysler Corp. as a company that successfully played the innovation game, even though it did not increase its R&D budget. "It has completely been able to change the rules to use innovation," Mr. Jonash explained. "It got its suppliers in the automotive industry to take on the role of R&D."

The suppliers agreed that their innovations would be offered to Chrysler before its competitors. How did the automaker arrange this? "They streamlined their production and development so that they can bring the technologies in late into the design-and-production cycle," Mr. Jonash said, "and can get them to the customer faster. They were the first with integrated seatbelts, side impact safety, airbags and an integrated childseat."

Adjusted for splits, Chrysler's stock was worth as little as 75 cents a share in 1981, after the U.S. government had to guarantee its loans just to keep the automaker in business. Its stock is now worth more than $56 a share as the company awaits its acquisition by Daimler-Benz AG.

Innovations can also flow across the Atlantic in the opposite direction. A decade ago, Nucor Corp. made a $300 million bet on an untested German technology known as thin-slab casting and is now one of the most highly valued U.S. steelmakers.

The company, which was begun as an automaker by the Oldsmobile founder Ransom Olds, introduced minimill technology nearly 30 years ago. With its advances in low-cost production technology, Nucor can turn a profit in steel even when prices are relatively low.

Its price-to-earnings ratio of 14 compares favorably with the old-line integrated steelmakers such as USX-U.S. Steel Group Inc., valued at six times trailing earnings, or Bethlehem Steel Corp., which has a P/E ratio of just over 5. The company is developing a new process of turning iron carbide into steel.

Yet an investor would not be able to tell the extent of Nucor's R&D commitment by studying its financial statements. John Correnti, the company's president and chief executive, said none of the $110 million it has spent so far in building its pilot iron carbide plant in Trinidad is classified as R&D. "We consider it a new plant. It is a new technology. We don't write it off as R&D. If we think it is a good idea and it makes economic sense we will make a substantial investment in it."

Besides, Mr. Correnti said, much of its research comes from outside the company, presented by sources who know Nucor's reputation as an innovator. "Hundreds of people come to us from all over the world," he said. In this case, the company's main role is reject inappropriate technology, he added. "Ninety percent of the ideas don't amount to a hill of beans. Some are good ideas but they won't work economically."

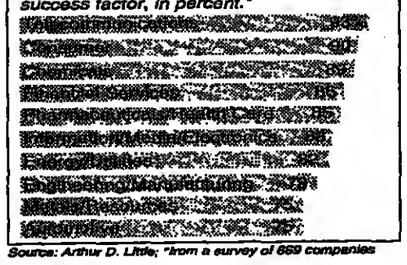
This illustrates the difference between successful innovation and brute spending, Mr. Correnti said. "It's like being a race car driver," he said. "Anyone can buy the most high-tech race car. But you have to have the knowledge and skill to drive it."

Even if the amount of money spent did count, most published R&D figures are neither reliable nor comparable. Surveys on the subject tend to be based on the amount of

Continued on Page 17

Innovation Means Success

Industry's view of innovation as a critical success factor, in percent.



*Source: Arthur D. Little; *from a survey of 669 companies*

Research Outlays: The Real Bottom Line

Expenditures Color a Company's Outlook

By Aline Sullivan

INVESTORS often think that they need to spend hours studying a balance sheet to figure out what a company's share price should be. But a glance at just one line — research-and-development spending — can indicate what the share price will be next month, next year and even in five years.

Expenditure on research and development is usually money well spent. A consistent commitment to investment, such as that demonstrated by LM Ericsson AB, which spends the annual equivalent of 15 percent of its sales on R&D, usually pays off: Ericsson shares have returned more than 40 percent a year to investors over the past five years.

R&D spending in most industry sectors is essentially an indication of corporate confidence. It can also boost investor confidence: anyone nervous that current share values are too high should consider the copious amounts of money that many companies are earmarking for their futures.

By at least one account, that future looks promising. Spending on R&D among the world's top 300 companies rose 12.8 percent, to $216 billion last year, according to the International R&D Scoreboard, published last month by the British Department of Trade and Industry in collaboration with Company Reporting, an Edinburgh-based consultancy.

That is the biggest jump yet in the scoreboard's eight-year history. Much of it was fueled by the 133 U.S. companies on the list, which recorded an average 17 percent rise in R&D spending. Of these, the biggest high-tech companies proved the biggest spenders.

"People look at companies like Microsoft Corp. and Intel Corp. and think that as they get ever larger and more dominant that they won't need to spend so much," said Michael Murphy, editor of the California Technology Stock Letter. "But that is old economy thinking. In the new economy, growth and value are determined by effective investment."

Microsoft raised its R&D investment last year by 34 percent, to almost $2 billion, or 17 percent of sales. Intel's outlay is even greater in dollar terms: the world's largest semiconductor maker spent $2.4 billion, or 30 percent more than the previous year. But at 9.4 percent of sales, its so-called R&D intensity is less.

The ability of these behemoths to spend vast sums puts them far out in front of the pack, said Mr. Murphy. "Look at Intel and Advanced Micro Devices. Intel will probably spend $2.9 billion this year while AMD can only spend $450 million. How will it ever catch up?"

AMD management obviously does not share that view. The company increased R&D spending by 17 percent — to almost 20 percent of its sales. That, however, pales in comparison with the recent efforts of Cisco Systems Inc. The computer-networking company boosted spending last year by an astounding 202 percent, to $1.2 billion, or 18.7 percent of sales.

Of course, some companies have more money than sense. International Business Machines Corp.'s spending is second only to Siemens AG in the electronics and electricals sector, but IBM does not get nearly as much back as most of its rivals. "The easy way to test the effectiveness of the R&D process is to determine what percentage of a company's profits came from innovations of the past three years," said Mr. Murphy. "For Intel that is almost 100 percent, for IBM it's about 30 or 40 percent."

At the opposite end of the spectrum, Apple Computer Inc.'s approach to R&D has bruised its reputation among some analysts. The company raised R&D spending last year only after slashing it the previous year. "Apple cut its R&D spending way back in both dollar and intensity terms to make its earnings look better," said Mr. Murphy. "Wall Street bought it and the stock doubled. But its outlook is really pretty bad."

PHARMACEUTICAL companies are big R&D spenders. The effectiveness of their spending is much harder to judge, however. "Some of the most successful drugs are the by products of other research," said Henry Gooss, manager director of Investor AB in New York. "Without a doubt, R&D investment is important in assessing the company's earnings and share price. But it's a lot harder to analyze than capital spending."

The 19 pharmaceutical companies cited in the British scoreboard raised R&D spending by an average of 11 percent last year. Roche Holding A, Pfizer Corp. and Glaxo Wellcome PLC spent the most money while the biotechnology companies, notably Roche's U.S. subsidiary Genentech Inc. and Biogen Inc. spent the most as a proportion of their sales.

"R&D is the only driving factor in biotech," said Mr. Murphy. "Look at XOMA Corp., it has no sales and is losing money but it has spent $133 million over the past five years in developing and testing a drug that seems to stop bacterial meningitis cold. How do you value that?" The company expects the drug, which is the only one of its kind, to be approved in Europe and the United States by the middle of next year.

Amid this frenzy of R&D spending, the modest outlays of oil companies come as something of a shock. Spending by many of the biggest companies represents less than 1 percent of sales. Indeed, three of the integrated oil companies cut spending last year: Chevron Corp. by 2 percent; Royal Dutch/Shell Group by 10 percent and Amoco Inc. by 12 percent.

Even more startling are the substantial cuts in R&D spending by two of the big U.S. car makers: General Motors Corp. slashed spending by 8 percent and Ford by 7 percent. In contrast, their Japanese rivals increased their spending: Toyota Motor Corp. by 16 percent and Honda Motor Co. by 14 percent. However, the U.S. companies still spend more than twice as much as the Japanese, making them the biggest R&D spenders in the world. All four are comparable in intensity terms.

That quartet is ahead of several of the carmakers in Europe, illustrating how European R&D expenditure significantly lags that of the United States.

For example, Fiat SpA, which will be the world's sixth-largest carmaker after Daimler-Benz AG and Chrysler Corp. join forces at the end of the year, has a R&D budget less than one-sixth the size of General Motors' in dollar terms and little more than half in intensity terms.

In the building materials sector, Compagnie de Saint-Gobain of France and the much smaller Corning Corp. spend similar amounts on R&D: $262 million and $251 million last year, respectively. But in Saint-Gobain's case that amount was the equivalent of just 4 percent of sales, while for Corning it was 6 percent.

The chemical industry is another case in point, despite the large number of Continental companies in this sector. Three of the four top spenders as a proportion of sales were U.S.-based, including Chiron Corp. which allocated what amounted to 47.1 percent of its sales to R&D last year, making it the biggest spender outside the high-tech sector.

THE BRITISH DEPARTMENT OF TRADE AND INDUSTRY'S International R&D Scoreboard is available free of charge from the department's Innovation Unit. Phone: 44 171 215 1994. Fax: 44 171 215 1997. Website: www.dti.gov.uk

Get Them While They're Cheap: Detroit's Big 3 Benefit From Asia

JAMES GLASSMAN *ON INVESTING*

AS GENERAL Motors Corp. struggles with strikes that have shut most of its North American assembly plants, investors are wrestling with an equally vexing problem: Why are auto stocks so cheap?

Before we get to GM, let's look at Ford Motor Co., which not only has no strike but also will benefit from GM's labor troubles. Ford is rolling in dough. Over the past five years, it has reaped profits of $23 billion, including a record $7 billion in 1997, and it has more than $25 billion in cash in its coffers.

Ford has a dividend yield of 2.9 percent, while the average stock in the Standard & Poor's 500-stock index has a yield of just 1.4 percent. Ford has a price-to-earnings ratio of 10, while the S&P average is 27. The market is valuing Ford as if it were a sluggard.

But Ford has become a great business. In the teeth of tough competition, it has held its market share, aggressively cut its costs and boosted its profits. So has Chrysler Corp., which is to be acquired this fall by Daimler-Benz AG, the German automaker.

Chrysler, with the best profit margins in the industry, has been earning more than $2 billion a year since 1992. Yet even after the Daimler bid, it carries a dividend yield of 2.8 percent and a P/E, based on projected year-end profits, of just 11.

As for GM: Sure, it has high costs, obsolete products, a slipping market share and terrible labor relations. But those ills are obvious. They will eventually be fixed.

As a result, GM's P/E seems awfully low — just 8, along with a yield of 2.8 percent.

So, are auto stocks cheap? Maryann Keller thinks so. She has spent the past 26 years analyzing the industry, currently for ING Baring Furman Selz LLC. She ranks Ford and GM as "strong buys," her highest recommendation. One big reason, surprisingly enough, is Asia.

Many economists believe the crisis in Asia is bad for U.S. businesses because it weakens demand and leads to severe downward pricing pressure on American goods as cheaper Asian ones flood U.S. markets. But Ms. Keller sees the auto situation differently.

For years, she told me, Asian automakers have built plants around the world without much thought to profitability. They could borrow cheaply, thanks to compliant banks that were following government dictates. The aim of big Japanese and South Korean manufacturers was not return on equity; it was market share. It is tough to compete with a company that keeps churning out products without any worry about cost.

But, said Ms. Keller, the crisis "necessitates a more disciplined approach" by Asian companies. "Where is the cheap money going to come from to take capacity higher [in Korea and Japan]? Nowhere. That's the essence of my thesis."

And a good thesis it is, especially when coupled with the new state of American automaking. Each of the Big Three automakers has improved its quality, its engineering and its productivity.

The U.S. automakers have also shored up their balance sheets. Credit ratings are higher, pensions are being funded, debt repaid. "The Japanese may not realize it," she said, "but they face a whole new ballgame." Access to capital will be the big edge that the Americans will now have.

Salomon Smith Barney Inc. agrees. It recently issued a report called "The Search for Value in Global Autos," featuring a glowing buy recommendation for Ford. The analysis noted that "cost reduction totaled an astounding $3 billion in 1997, [increasing] Ford's ability to post solid earnings in the face of higher marketing costs." Salomon also gives its top ranking ("1") to Daimler, praising it for the Chrysler deal, which appears to be a perfect fit: German engineering plus U.S. marketing, German luxury mated with U.S. middle-class appeal.

What about GM, which, for all its problems, is still the No. 1 automaker in the world? Salomon offers only a "3" rating, and just five of 17 analysts polled by Bloomberg News recommend that the stock be purchased.

While Ms. Keller is unhappy with GM's complacency — for example, its delay in bringing out a Cadillac sport utility vehicle and its refusal to allow its best division, Saturn, to offer a broader line — she thinks the stock is cheap, especially now that it has taken a hit due to the strike.

Another believer in GM is Mark Holowesko, the value hunter who manages the huge Templeton Growth Fund with a portfolio of global stocks. GM is his largest U.S. holding. The company is "generating a huge cash flow," he says, and if it sold Hughes Electronics Corp., the stock would get a big boost.

The fund's largest holding of any kind is Volkswagen AG. Volkswagen is the darling of the auto industry. It is "sold out across most of its model range," according to a new report by Stephen Reitman and Alec Shutze of Merrill Lynch & Co. "Customers are fighting over the new Beetle in the U.S., while delivery times extend up to six months for the Golf, Passat, A6, A3 and Octavia in Europe."

Volkswagen, however, is hardly a secret. Its stock is up 79 percent this year. But its P/E ratio, based on estimated earnings for 1988, is still only 14, and Merrill's analysts have raised its rating to "buy."

Washington Post Service

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July 3, 1998

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118 MERRILL LYNCH NAV as of 02/07/98
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160 SR GLOBAL FUND LTD
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161 STANNES FD MNGERS (GUERNSEY) LTD
[illegible]

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164 TEMPLETON GLOBAL STRATEGY FUNDS
[illegible]

224 THE PEGASUS FUND
[illegible]

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165 THE WANGER INV CO PLC
[illegible]

199 THE WIMBLEDON FUNDS
[illegible]

167 THEMA INTERNATIONAL FUND PLC
w Thema Hedged US Equities $ 137.44

[illegible]

170 TRANS GLOBAL FUNDS GROUP
[illegible]

172 TWEEDY BROWNE VALUE FUNDS
[illegible]

[illegible]

173 UNION BANCAIRE ASSET MGT (UBAM) INTERNATIONAL, NASSAU
[illegible]

174 UNION BANCAIRE ASSET MGT (UBAM) INTERNATIONAL, HAMILTON
[illegible]

125 UNION BANCAIRE ASSET MGT (UBAM) INTERNATIONAL, LUXEMBOURG
[illegible]

175 UNICO FINANCIAL SERVICES S.A.
[illegible]

212 UNION INVESTMENT
[illegible]

178 US GLOBAL INVESTORS INC GUERNSEY
[illegible]

230 VALUE FD MNGT
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229 WARBURG PINCUS FUNDS PLC
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182 WILLERFUNDS MANAGEMENT CO.
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[illegible] WP STEWART FUND PLC
[illegible]

181 WP STEWART GLOBAL GROWTH
w WP Stewart Global Growth 17.2342

179 WP STEWART HOLDINGS N.V.
d WPSH (ADAM S.A) $ 1144.36

171 WPS INVESTMENTS S.A.
d WPS Global Technology Fund $ 117.70

999 Other Funds

[illegible]

AS - Australian Dollars; AS - Austrian Schillings; BF - Belgian Francs; CS - Canadian Dollars; DM - Deutsche Marks; DKK - Danish Kroner; Do - US Dollars; ECU - European Currency Unit; FF - French Francs; FM - Finnish Mark; FL - Dutch Florin; IDR - Indonesian Rupiah; Lit - Italian lira; LF - Luxembourg Francs; p-pence; MYR - Malaysian Ringgit; Ptas - Pesetas; SGS - Singapore Dollars; SF - Swiss Francs; Sek - Swedish Kronor; THB - Thai Baht; Y - Yen;

N - asked + - Offer Prices; N.A. - Not Available; N.C. - Not Communicated; o- New; S - suspended; S/S - stock split; * - Ex-Dividend; ** - Ex-Rts; - @ Offer Price incl. 3% prelim. charge; + - Paris exchange; ++ - Amsterdam exchange; e - redemption price; earlier; x-not registered with regulatory authority. P: middle of bid and offered price. E: estimated price; y: price calculated 2 days prior to publication; z: bid price.

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THE MONEY REPORT

Perhaps in Vain, Israel Adapts Dual Citizenship Strategy to Stocks

By Jessica Steinberg

DUAL CITIZENSHIP is one advantage that Israel offers to keep immigrants coming. Now it is trying to use dual citizenship to keep stocks from leaving.

Officials of the Tel Aviv Stock Exchange, worried about a flight of prominent Israeli high-technology stocks to the Nasdaq market in the United States, are trying to entice them back. The exchange is hoping that these companies will at least agree to list their shares in both places.

But the likelihood of a return home for most of these listings is considered weak. The impediments range from a cumbersome Israeli bureaucracy to a perception that Nasdaq is the pre-eminent market for high-technology companies trying to raise money.

Nasdaq dwarfs the Tel Aviv exchange. The $264 billion market capitalization of Microsoft Corp. alone is three times the value of all the listings on the Tel Aviv exchange.

More than 100 Israeli companies are listed on Nasdaq, making it the largest source of new Nasdaq listings after the United States and Canada. Only five of those companies are also listed on the Tel Aviv exchange.

The Tel Aviv exchange lists more than 650 companies, including banks, insurers, chemical makers and construction companies.

Ronit Harel, head of the exchange's listings department, said it was hoping to make itself more like Nasdaq, and her optimism is shared to some extent in Israeli brokerage firms.

"It will become in fashion to list in Israel," said Eli Nachum, head of trading at Zannex Securities Ltd. in Tel Aviv.

Nonetheless, he said, "the fact that Israeli companies aren't traded in both exchanges is a disadvantage."

To many Israeli high-technology executives, the Nasdaq is preferable because of its enormous liquidity. With far more money in the market, it is easier for stocks to be bought and sold at fair prices.

Moreover, most Israeli technology companies, whether they are selling high-speed modems or Internet security software, are exporting to the United States. More often than not, their investors are Americans who are more willing than Israelis to back risky ventures.

"Israeli investors are a little scared of the high-tech stocks," said Ron Levkovitz, co-general manager of Epsilon, a Tel Aviv money-management firm.

Mr. Levkovitz said 90 percent of the Israeli equity market was held by local institutional investors, pension funds and other large trust funds that by law can invest only 15 percent of their assets in stocks.

In addition, Israeli fund managers cannot buy more than 10 percent of their stocks outside Israel.

Gil Schwed, chief executive of Check Point Software Technologies Ltd., an Israeli provider of security software, said he never thought about listing in Tel Aviv. Check Point went public on Nasdaq in June 1996 at $14 a share with a market capitalization of $450 million. The shares now trade at $32, with an average volume of one million shares a day and a market capitalization of more than $1 billion.

"It's all about prices," Mr. Levkovitz said. "No one in Israel will pay the kind of prices the high-techs are commanding in the U.S."

Mr. Schwed said that from his perspective, the Tel Aviv exchange was not sophisticated, with insufficient trading volume and too little analyst coverage. He also criticized what he called unwarranted restrictions on market freedom imposed by the Israeli Securities and Exchange Commission.

It is a common criticism. David Arzi, chairman of NICE-Systems Ltd., a provider of telephone computer systems, lists on both exchanges. But he said listing on the Tel Aviv exchange was akin to walking down Jerusalem's Via Dolorosa, or Street of Sorrow, the winding path that Jesus supposedly took from prison to his Crucifixion.

Quarterly reports must be filed with the Israeli securities commission and sent to all shareholders before publication, and the company's full prospectus must be rewritten in Hebrew. There are also restrictions on employee stock options; if options are offered to more than 35 employees, the company must publish a new prospectus.

"It took four months to give stock options to 88 of our people," Mr. Arzi said. "In certain aspects, Israel is the last Bolshevik country."

The Israeli securities commission is re-examining its listing requirements to help lure the Israeli companies back.

Mr. Arzi's decision to list his company on the Tel Aviv exchange has not been all bad. Indeed, NICE-Systems's experience is one reason that young Israeli companies might want to list their stocks at home.

NICE first went public on the Tel Aviv exchange in December 1991. At the time, the company had $1 million in profit and needed cash to reinvest in its products. Mr. Arzi said he chose Tel Aviv over Nasdaq "because it's easier when the lifesaver speaks your language."

Teva Pharmaceutical Industries Ltd., Israel's largest pharmaceutical company and one of the Tel Aviv exchange's blue-chip stocks, is 60 percent owned by American stockholders.

Dan Suesskind, Teva's chief financial officer, said there was a nationalistic reason for listing on the Tel Aviv exchange, "just like building a Teva plant up north when there's shelling from Lebanon."

However, Mr. Suesskind said, he will never leave Nasdaq, his home away from home. "Listing on Nasdaq has made all the difference for us," he said. "It's the difference between watering your company's crops from a plane instead of a pitcher."

New York Times Service

BRIEFCASE

Yen's Level a Sign Of Things to Come

Many newsletter writers looking at the Japanese economy this week had dour outlonks, and it seems there is nobody who thinks things will turn around soon.

Investors who fear the country's recession will trigger market collapses elsewhere might use the value of the yen as a leading indicator. Stephen Roach, chief economist of Morgan Stanley Dean Witter & Co., wrotes: "The issue is where the yen finds a new equilibrium. If the yen can be contained over the near-term to a range of 140 to 150 against the dollar, then world financial markets should be able to breathe a sigh of relief."

Problems would arise, he said, if the dollar were to rise to the 180-yen-to-200-yen range. "Then all bets could be off. The Chinese could well respond by upping the ante and sounding another alarm on a possible devaluation." If China were to devalue the yuan, "then a new round of competitive currency devaluations in Asia and the rest of the world could be triggered — a scenario that would spark sharply reduced expectations of global ecoonmic activity and earnings prosperity. World equity markets, under those circumstances, would go dowo hard."

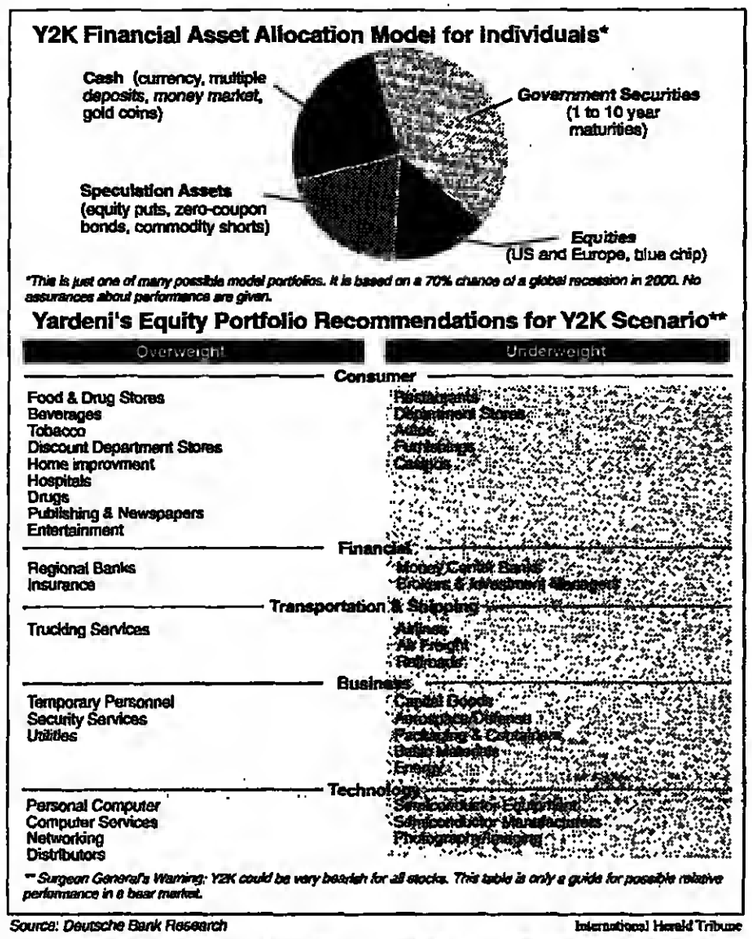
Last month, Japanese and U.S. authorities intervened in currency markets when the dollar rose above 143 yen. It fell below 137 but has since risen back to more than 139. *(IHT)*

Y2K Bear Raises Recession Odds

Just io case the Asia situation does not make you nervous enough about your investments, Edward Yardeni, the chief economist at Deutsche Bank Securities Inc. in New York is growing increasingly concerned about the Year 2000 problem, and he has raised the odds of a global recessioo to 70 percent from the previous 60 percent.

The Y2K problem, as it is known, is the seemingly silly situation created by computer programs that use two-digit numbers to define years. At the turn of the millennium, the 99 will roll over into 00, and "at least some vital computer systems in government and business are likely to malfunction," according to Mr. Yardeni. What would happeo next is anybody's guess, although the worst-case scenarios are pretty bad. None of the possibilities are particularly heartwarming for investors.

Mr. Yardeni has been following the issue for months, and he is growing increasingly concerned. "I can no longer say with any confidence that there is enough time to avoid a severe global Y2K recession," he said in an advisory this week. He cited a "pathetic" response from global leaders; a "too-slow" pace of progress by the U.S. government; and a lack of information available on what is being done outside the United States, where "the level of awareness is dangerously low in most countries."



Source: Deutsche Bank Research

International Herald Tribune

A Y2K-induced recession, Mr. Yardeni said, could cut $2 trillion from the global economy. Although he said it was too soon to start making defensive investments, he suggested asset allocations that would move investors out of risky areas like commodities and emerging-market stocks and into government bonds and cash.

He also mentioned some industries whose stocks might benefit and others to avoid if the Y2K recession scenario comes to pass but the situation is not so severe that it causes a widespread Wall Street collapse. (See table.)

His picks indicate people will be shopping at home-improvement stores more than visiting casinos, while shippers send goods via relatively independent trucks rather than system-orieoted trains and planes. *(IHT)*

Club Med Party To Ease Asia Blues

If you are worried about Asia but do oot think the Y2K problem spells the end of the world and you want to buy stocks in emerging markets, ING Barings Securities Ltd. says, "Party on in Club Med."

ING Barings identified Greece, Israel, Portugal and Turkey as relatively insulated from the Asian contagion. "Real economic links with the Far East are weak, and the influence of the European Union and unique domestic factors are far more important." In fact, if things get better in Asia, "stretched valuations" in Greece and Portugal and "political risks" in Israel and Turkey "may be enough to ensure a period of underperformance" relative to other emerging markets.

But assuming the Pacific remains under pressure, these emerging European markets provide relative safe havens, preferable to Latin America because of that region's closer economic links to Asia.

All four Mediterranean markets have advanced this year, with the sharpest gains in Greece, whose key index is up more 69 percent in drachma terms and 57 percent when measured in dollars.

Turkey, which ING Barings said had the cloudiest outlook of the four, has seen its national industrial index rise 36 percent in lira terms but a mere 5 percent gain in dollars. That is a reflectioo of the country's inflation rate of about 80 percent at the wholesale level, which is unlikely to meet the government's target of 50 percent by the end of the year, ING Barings said.

The problem is that measures the government must take to reduce inflation would slow the economy ahead of elections scheduled for April. *(IHT)*

Turkey's Appeal

Inflation problems ootwithstanding, prices on the Istanbul Stock Exchange are likely to get a lift from some good news on the budget front. If you cannot cut your deficit by reducing expenditures, you can try to raise revenue, and privatizatioo revenue plus public offerings of shares in the state-owned phone company and other government-run businesses are planned.

The listings also are expected to increase trading on the Istanbul exchange, and that might be good for prices. Currently, several important Turkish stocks, including Akbank TAS and Efes Sinai Yatrim Holding AS, have active listings on foreign exchanges, and half the Istanbul exchange's equity is owned by foreigners, who tend not to be active traders.

Analysts see help coming in the form of privatizations plus planned offerings of shares in Turk Hava Yollari AO, which owns Turkish Airlines; Turk Telekomunikayson AS; and three petroleum distributors.

Saying the stock market's rise since 1994 is more reflective of economic growth than flight from a collapsing currency, the private economist A. Gary Schilling said in his June newsletter that strong exports, water and oil pipeline construction, and healthy media and communications sectors hold "the prospect of further meaningful privatization and fiscal and monetary reform." *(IHT)*

Taking Some Risk Out of Sector Funds

Here's an Investing System for Volatile Securities That Appears to Work

By Carole Gould

SECTOR FUNDS, which concentrate their holdings in particular industries, are notoriously volatile, presenting investors with chances for big gains or serious losses.

This is not surprising. After all, if diversifying stock portfolios can limit their volatility, then narrowing their focus to single industries will increase it. The potential losses can be big. Last year, for instance, the Fidelity Precious Metals & Minerals fund plunged 44.9 percent.

Nevertheless, Fidelity Investments, the leader in the field, has 40 sector funds with a combined 1.2 million shareholder accounts. The investors, presumably, are looking to beat the market by being in the right sector at the right time.

That is more easily said than done, but Jack Bowers, who edits the Fidelity Monitor, an independent oewsletter in Rocklin, California, has developed a sector-fund investing system that appears to work. He has tested it with calculations of how the system would have performed back to 1990.

The best time to buy into a sector, of course, is when it is undervalued. When an industry group sells at a discount to its historical valuation, he said, the odds increase that it will beat the market. Moreover, the discount usually reflects widespread skepticism, limiting the potential for loss.

The question is what measure of valuation to use. Mr. Bowers discarded price-to-earnings ratios because it is difficult to compare them from one industry to another and meaningless when companies are unprofitable.

In a series of studies started in 1996, Mr. Bowers found a better value measure: movements in industries' price-to-book ratio. For individual companies, this ratio is calculated by dividing total market capitalization by balance-sheet listings of cash, factories, real estate, equipment and other assets.

Mr. Bowers compares current industry ratios with historical ones. Industry groups that show up as undervalued are considered good buys.

He figured that during the last eight years, investors who consistently held Fidelity sector funds in the 10 most undervalued industries, by this measure, could have earned average annual returns of 24.2 percent, compared with just 16.6 percent if they had invested in the 10 most expensive sectors.

Mr. Bowers has also devised a system for timing the sale of sector funds. First he looks for the 10 most attractive sectors — those with the lowest price-to-book ratios relative to their average ratios over the last five years. He then recommends selling any sector fund that falls oot of this top 10 twice in a row in his six-month evaluations, moving the proceeds into the cheapest sector fund oo his list.

Why wait six months rather than selling the first time the sector falls out of the top 10? He says it takes the marketplace six months to recognize value.

Under his system, what follows are the cheapest and most expensive Fidelity Select sector funds now and their percentages of their historical value. All figures are near or above 100 percent because the bull market of the last few years has caused companies' stock values generally to rise faster than their asset values.

The 10 cheapest: Automotive, 99 percent; Medical Delivery, 107 percent; Biotechnology, 111 percent; Developing Communications, 121 percent; Energy, 124 percent; Leisure, 124 percent; Construction and Housing, 124 percent; Natural Gas, 129 percent; Transportation, 129 percent, and Consumer Industries, 131 percent.

The 10 most expensive: Eoergy Services, 220 percent; Regional Banks, 209 percent; Home Finance, 207 percent; Computers, 202 percent; Financial Services, 195 percent; Brokerage, 182 percent; Health Care, 180 percent; Insurance, 171 percent; Retailing, 167 percent, and Industrial Materials, 166 percent.

New York Times Service

Drug Firms' Wagers

Continued from Page 15

double its R&D staff over the next few years, emphasize getting products to market quickly, and institute a pay-for-performance system for top researchers. It is also boosting its R&D spending by 20 percent over last year.

Like Mr. Adkins of Lehman Brothers, Ms. Ross noted the importance of Bristol-Myers' marketing strengths, especially in the United States, where new regulations have allowed it to advertise aggressively for core drugs such as Pravachol, which reduces cholesterol, to consumers via television and magazines. She is forecasting earnings per-share of $3.60 for this year and $4.04 in 1999.

"Being successful in pharmaceuticals is a package deal," Ms. Ross said. "You have to have strong management and a firm that's financially sound, but also one that is growiog. And research and development is the biggest part of that growth."

U.S. and European companies do the lion's share of R&D in pharmaceuticals, but in Asia, Japan has produced some successful products as well, according to Sergio Traversa, an analyst with Mehta Partners, a New York City research boutique specializing in drug and biotech companies.

Although he does not rate companies, Mr. Traversa said that Takeda Chemical Industries is Japan's most advanced of 10 companies active in drug research. Despite its name, the company gets about 70 percent of its sales from pharmaceuticals, and will spend about $500 million on research this year.

"It also has the most interesting pipeline," he said, ooting that Luprolide, its drug that fights prostate cancer, has already topped $1 billion in sales a year in the U.S. Two new products with billion-dollar potential are Takeda's drug for high blood pressure, approved for sale in the United States a few weeks ago, and its diabetes drug, which it will co-market with Eli Lilly & Co. Such international marketing deals are a must for a Japanese company, said Mr. Traversa, who sees little growth ahead in its domestic market.

With Research, Use It Fast and Well

Continued from Page 15

spending declared for tax returns, ooted Paul de Sa, a research fellow at Harvard University's Belfer Center for Science and International Policy. Not only will these items vary from company to company, depending on its tax situation, Mr. de Sa added, but the R&D reporting categories differ from one country to another.

The market's appreciation also depends on what industry a company is in and how much of a long-term view it takes. Mr. de Sa, who specializes in the energy sector, said, "If you are a utility and spend more on R&D, your stock price is lower instead of higher, because it is considered that R&D is coming out of profits."

"I was at a meeting recently of utilities," he said with some amusement, "and a senior adviser from one of the Wall Street investment banks addressed the group and told them: 'The average investor in utilities and the average securities analyst just doesn't care about R&D.' I think that is the case for many sectors that are not R&D driven."

For the energy industry, he said: "This is very long-term stuff. Today, oil remains very, very easy to get. There is very plentiful supply. If there is suddenly a big crunch, the guys with the new technology will win. You have to ask yourself: 'What happens in exceptional circumstances?' In the longer term you can't cut fat year after year."

ARTHUR D. LITTLE'S Global Innovation Survey is available for loan from the company's world headquarters in Acorn Park, Cambridge, Massachusetts, 02140, U.S.A. Telephone. 1 617 498 5047. Fax: 1 617 498 7130.

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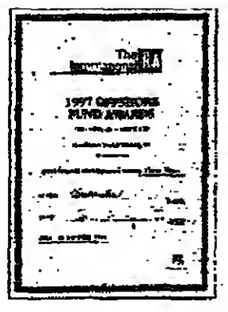

*North Star was ranked No.1 Off-shore Fund Manager of 1997 for 3 years performance by the two FT publications The International and Resident Abroad out of 104 international Fund Managers. North Star was also voted No.1 for 1995 and No.2 for 1996 by the same publications.

Further information:
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Men's Fashion

Karl Dickenson, Andrea Thomas/IHT

From summer 1999 collections: Dior's silk and wool unstructured jacket and knitted shirt, and Raf Simons' sleeveless tailoring with ultra-long pants.

A New Generation Picks Up The Stitches of Tailoring

By Suzy Menkes

PARIS — Is there fashion life beyood sportswear? That is the challenge facing the French menswear shows which opened Friday, hard on the beels of the Milan season.

Edgy or traditional, designers have to find a way to combat the might of the Italian fashion industry, which made luxurious casual clothing the key to the summer 1999 collections.

When Yohji Yamamoto opened his show Friday with soft shirt-jackets, it underscored the debt that current fashion owes to the deconstruction introduced by Japanese designers in the 1980s.

Bnt Yamamoto was onto a whole new thing: love. Showing in pairs and on couples, the menswear was worn by both men and women, who walked hand-in-band through the vaulted airy space of the old French stock exchange.

"We need romance," said Yamamoto as he took applause backstage for a show that was fresh and charming, with its lettuce green colors and sudden patches of flower print sprouting among the hlack and white.

In a return to his Jspanese roots, the designer gave an ethnic spin to Asiatic, square-cut suits, even using wood-grain fabric or patches of fishing mesh attached. As shirts floated free over the designer's signature clear-the-ankle pants, the impression was of lightness and harmony.

But the show was also about incisive cutting, even in the soft and wrinkled fabrics. Couples strolling out in varied white shirts, decked with scarlet neckties or red ribbons, made a sweet finale to the quirky show.

Pierre Cardin once stood for revolution, when his challenge to the stuffy, conventional suit introduced the streamlined, athletic silhouette that marked the 1960s. And there it was again at Friday's show, the oh-so-familiar jerkin with winged shoulders over jersey pants, looking like a mediaeval knight taking the space shuttle.

Cardin is a great tailor and it is frustrating that his technique is frittered away on safari jackets tricked out with press studs and loud checked jacket with vast 1980s shoulders. The show's theme was sportswear, but, oh dear, that meant tight-fitting pants in scuba diving fabric with crisscross suspenders and vinyl overalls complete with motorcycle helmets. The opening passage of a model with his arms tied up in neckties was to the point. This was a show to promote a hrand under license. May Cardin only sell as many pairs of sunglasses as he showed.

The irony is that there is now nothing so daring and revolntionary as to propose a regular suit to a generation weaned on jeans. This is the take of Raf Simons, the Belgian designer who just turned 30.

"I am obsessed by tailoring — very strong, linear clothes," said Simons before his show on Friday. "I ask myself how I can bring that to young people — to a 14-year-old who you never see in a suit? Is it possible to bring to them how I feel about cutting?"

Simons explained his focus on cut for sleeveless tunic jackets and especially his signature pants that are fitted low at the waist and tant at the hips, before flowing into a pool over the shoes.

"It's very Bauhans, very clean and a very sharp way of cutting, especially for the pants," says Simons, who learned his trade from a seasoned Antwerp tailor and favors traditional English fabrics, although he has designed a leather collection for Ruffo in Milan. That has sleek black leather V-sweaters and trim coats.

Simons is now planning to leave Antwerp and move to New York for cultural stimulatioo, but says that he will continue to show in Paris.

Another young designer fascinated by the craft of tailoring is Udo Edling, 32, who shows Saturday.

"My idea is to perpetuate tradition, but not in the old way," says Edling, who comes from a family of tailors in his native Romania.

"There are the old Paris houses who do rigid tailoring," he says. "I try to modernize the cut of my suits and to use new materials, like a Japanese fabric with a two-way stretch. I have made it into fluid pants that can even be washed by machine."

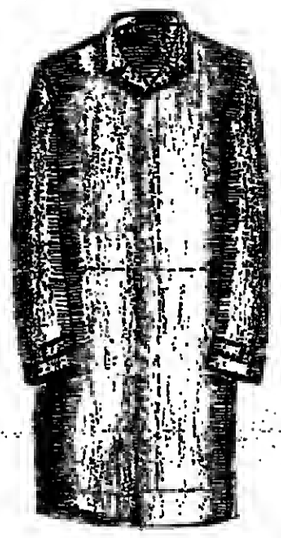
REDEFINING the modern suit is the essence of the new tailoring. The soft-shouldered shirt-jackets at Hermes have taken Veronique Nichanian 10 years to perfect, the designer said of her pallid and deconstructed summer collection.

"It's a new architecture, creating a different kind of silhouette and comfort," says Nichanian, referring both to cutting on the bias to give shape without stiffness, and to the choice of fabrics like linen crepe, cashmere piqué and lightweight wool jersey.

"It's about soft fabrics worked in tailoring — with nothing inside, deconstructed but not baggy," she says. "There is a new generation between 19 and 25 who are rediscovering suits — bnt they want to be modern — not dressed like their fathers."

At the classic house of Dior, the designer Patrick Lavoix also wants his collection, to be shown on the Left Bank on Saturday, to capture an informal spirit, with soft jackets worked in fabrics technologically treated to be light and aerated.

"This is the last collection of the old century so it is a chance to stand up for Parisian chic, which does still exist," says Lavoix. "But dressing well doesn't mean wearing the style of the 1930s. Modern tailoring is not about a revolution but about the way that the silhouette is made supple and fluid and above all comfortable."



Udo Edling

Working drawing for tailored coat.

SUZY MENKES is fashion editor of the International Herald Tribune.

The Cozy Way to Shop in Paris

By Alicia Drake

PARIS — Shopping at La Belle Hortense bookshop and literary bar in the Marais is not unlike dropping in on someone's home for a drink. On a Friday night and in a shop the size of a Parisian living room (31 Rue Vieille du Temple), the owner Nathalie Chkroun is the perfect hostess, flitting between guests, greeting, gossiping and filling empty glasses.

Only they are not her guests, they are her customers. Some sit around quietly reading their novels, others peruse the bookshelves with glass in hand. One man has found the volume of poetry he was looking for, only he has come out without cash. "Oh, take it," said Chkroun with a wave of her hand, "and pay next week." That makes the third book in 30 minutes to walk out of this shop on a "read now, pay later" basis.

Either Chkroun is philanthropic in her approach to retail, or she is onto something. For every vast and shiny mega-store springing up around this city, there grows a diametrically opposed longing for what the French call "cozy" boutiques. Not cozy in the sense of cookie-cutting and paper doilies, but a French interpretation of the word. For shopping read intimate spaces, hand-picked or exclusive product, furniture rather than shop fittings, and sales staff who remember your name.

It is the retail version of a neighborhood bar and La Belle Hortense is not alone in Paris in offering a cool take on cozy. The boutique owner Maria Luisa opened a menswear store in January (5 Rue Cambon) selling Helmut Lang, Alexander McQueen, Raf Simons and Ann Demeulemeester. The designers are cutting edge, hut the boutique ambience is a comfort zone with a large sofa center stage, a pouffe to rest your feet on, magazines and art books to flick through and trays of espresso or pastis delivered from the brasserie across the road.

Maria Luisa picked an intimate shopping genre because she believes it appeals to the male sensibility, particularly when it comes to clothes shopping. "Men are always in need of an awful lot of reassurance when they are shopping for clothes," said Maria Luisa. "Already the very mention of the word designer and they are running scared, so if you want to get them into designer fashion, you cannot afford to intimidate them with the wrong shop ambience."

Hence, she gave her interior architect, Laurent Buttazzoni, a design brief of "a dressing room and gentleman's club feel and, above all, a place to gossip with friends."

In the 15th arrondissement, Mary Shaw has taken intimate shopping to its logical conclusion by opening her interior furnishings store Sequana in an apartment (64 Avenue de la Motte Picquet). She chose the setting because, she said, "I am offering a lifestyle, a way of life rather than a decoration shop." And although the apartment is not her home, she has decorated it to look the part with vases of foxgloves and cowslips, logs piled high, a roaring fire in winter and a yellow Labrador curled up in the hall.

Shaw, who is Irish and resident in France, sells furniture, objects and furnishings made for her hy artisans in Ireland, Scotland and France, with the emphasis on color and tradiftonal fabrics reinterpreted through contemporary design. There are lean day beds covered in Donegal tweed, French cedar wood stools with Irish black and white striped mattress linen cushions, mohair throws and earthenware plates and terrines.

The male customer here tends to be playing a support rolé, that is accompanying his wife or partner. Shaw finds men appreciate her home setup because "they find it easier to visualize how a piece will look in their own home. They also find it less stressful than flogging round a department store." Perhaps that also has something to do with her Irish hospitality habit of offering a glass of whiskey to evening customers.

It is not just the reassuring nature to these shops that customers enjoy: it is the fact they have soul. They are quirky, individual and a world apart from those 18,000-square-foot, tastefully taupe monuments to retail you have already seen on every Madison Avenue, Via Spiga or Bond Street corner. They are also very Parisian in attitude and style. Where else would you find a bookshop selling books alongside bottles of Bordeaux which stays open until 2 A.M.?

"Paris has always been a city of boutiques. It's about small spaces with lots of service and an eternal feel," said Maria Luisa. "And when international people come to Paris, that is what they want to see. They go straight to the brasserie, the bistro, to Chanel or Hermes. If every store looked the same as Tokyo, London or New York, frankly, what would be the point of shopping here?"

The other key attraction is their level of personal service. At the designer fashion boutique Flower in the 7th arrondissement (7 Rue Chomel), the owner Ousui Nakamura is a one-man band, from attending all the shows and buying, to serving in the shop and pinning up the hems for his clients' alterations. After three years selling alone in a small space, he still has no intention of expanding the premises. "I prefer to remain small so I can continue serving my 10 to 40 clients a day myself," said Nakamura. "It also means I can keep the shop's reputation for being underground."

THE trend for coziness goes beyond just retail. Le Fumoir, a fashionable restaurant, (6 Rue de l'Amiral Coligny), has a dining room designed to look like a library in a private house, where customers can sit and read the newspapers or a novel from the bookshelves. And over at the Hotel Costes gym, the membership is restricted to 80 people. There are no forms to fill in when you join and no one carries a membership card when they use the gym. Apparently there is no need. Everyone knows your name.

And that is the real pull of cozy, the home-from-home sensation of belooging. As Chkroun at La Belle Hortense summed it up: "Since we opened in February, we have very quickly built up a group of regulars. They drop by several times a week. People meet, start talking to one another or bump into friends. It's the social side and friendliness to shopping they enjoy."

ALICIA DRAKE is a fashion and style writer based in Paris.

Charlie Caplin/IHT

Customers at La Belle Hortense bookshop in the Marais relax as they look through collections of soccer cards.

Men Wake Up To Accessories

Fast-Growing Market

By Roger Tredre

LONDON — Not so long ago, most men's idea of an accessory was a flashy tie or a clunky watch. Now men's accessories are one of the fastest-growing sectors in fashion, and the customer has become a more discerning species.

On a rainy summer's day in the London department store Harvey Nichols, a 33-year-old advertising executive, Geoffrey Allen, was on the hunt for a pair of shoes. His target? The new square-toed, square-heeled loafer, called the Soho, from the British footwear designer Oliver Sweeney.

"Getting the details right is important," said Allen. "The shoes, the belt, the watch. At the end of the day, a suit looks like a suit, but a nice accessory makes all the difference." Sweeney himself, who often likes to mix with his customers in the Harvey Nichols menswear basement, nodded in agreement. "Men are catching on to the women's idea that accessories can lift an outfit, take a boring jacket into a new stratosphere."

Sweeney, who began selling to seven stores in Japan this summer as part of a concerted export drive, is planning to test the market this fall with a select line of attaché cases, belts and other leather items. "If you're an accessory designer, this is exactly the right time to expand," he said.

In truth, every designer wants in on the accessories market. Cross-stretching brands via licensing agreements is a gain-without-pain means of expanding a business.

From Giorgio Armani to Yves Saint Laurent, established fashion houses are working hard to pep up the profile of their accessories collections, with watches the fastest-growing sector. Accessories are being featured more in fashion ads, even when the ads are ostensibly promoting clothing. They are also playing a bigger role on the runways.

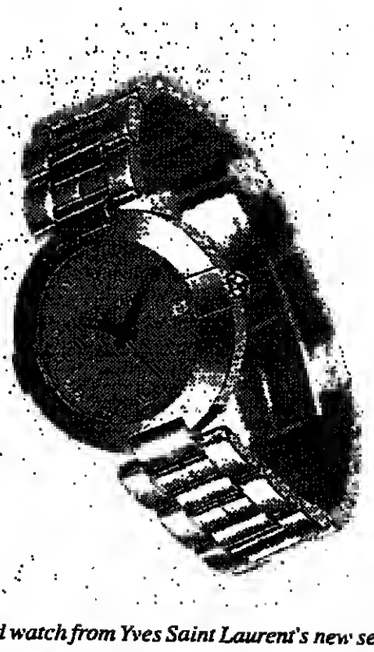
"Men's designers are certainly offering more," said Nick Sullivan, associate director of the British men's fashion magazine Arena Homme Plus. "But men are also calling for it. They are creating more choice for themselves."

Reports from retailers in Britain suggest that one of the biggest new growth sectors is small bags. Men are hunting for the male equivalent to a handbag. Their ideal solution: small square bags with long straps from labels such as YMC.

Even jewelry for men is catching on. Rings by Wright & Teague and Manjet Virde are selling fast at The Library, the influential men's store in west London. Another Brit to watch: Jess James, which is selling all-gold prayer rings for £1,600 ($2,560).

Retailers are delighted by the upsurge in accessory sales. "We're in a multisale situation. A guy buys a pair of trousers and he also buys a belt or a pair of shoes. It's good news for us," said Peter Sidell, co-owner of The Library.

Duchamp, a British accessories company, is to open a first flagship store in Notting Hill Gate, west London, in September, marking 10 years in business. Mitchell Jacobs, a designer, said sophisticated understatement was the key trend for the new collection, leading on cufflinks and ties. "We have a line of snbtly colored enamel cufflinks in pinks, grays and lilacs. Nicely understated," he said.



E. Layton

Round watch from Yves Saint Laurent's new series.

Accessories companies are also reviving — or reinventing — classic styles. If it sold before, why not try it again? The Patek Philippe Nautilus, a watch first launched in 1976, is one of many retro pieces staging a comeback.

In watches, fashion is moving on after several years from the trend for technical sports watches toward more design-led, clean products. Gucci, Hugo Boss, and Emporio Armani have launched sqnare-shaped watches with faces uncluttered by the paraphernalia of the chronograph.

The most fashion-conscious men are building "wardrobes" of accessories, which might mean three or four pairs of glasses and sunglasses and a collection of watches, ranging from smart to smart-casual to active for the beach or sports use. For others, it is the brand that counts. Among the hottest sellers this summer are Gucci bnckled loafers and Prada Sports hipbags in waterproof flannel. Street labels are also reporting strong sales for accessories.

For fall, Gucci is predicting big business for its red and green webbing belts, reviving a 1970s' theme. Gucci has turned the belt from accessory into an integral feature of clothing by adding belt loops to shirts — the accessory promoted to star status.

In design terms, Gucci accessories share common themes across both men's and women's collections. Taking its lead from the fragrance market, the unisex accessory could be a new trend: from belts to sunglasses, watches and bags.

A final thought: the definition of a designer accessory is widening all the time. Paut Smith, Britain's biggest menswear designer, sells cufflinks and ties by the truckload, but ooe of his best-selling accessories is more unorthodox. A round of applause, please, for the Paul Smith toothbrush.

ROGER TREDRE is features writer for The Observer.

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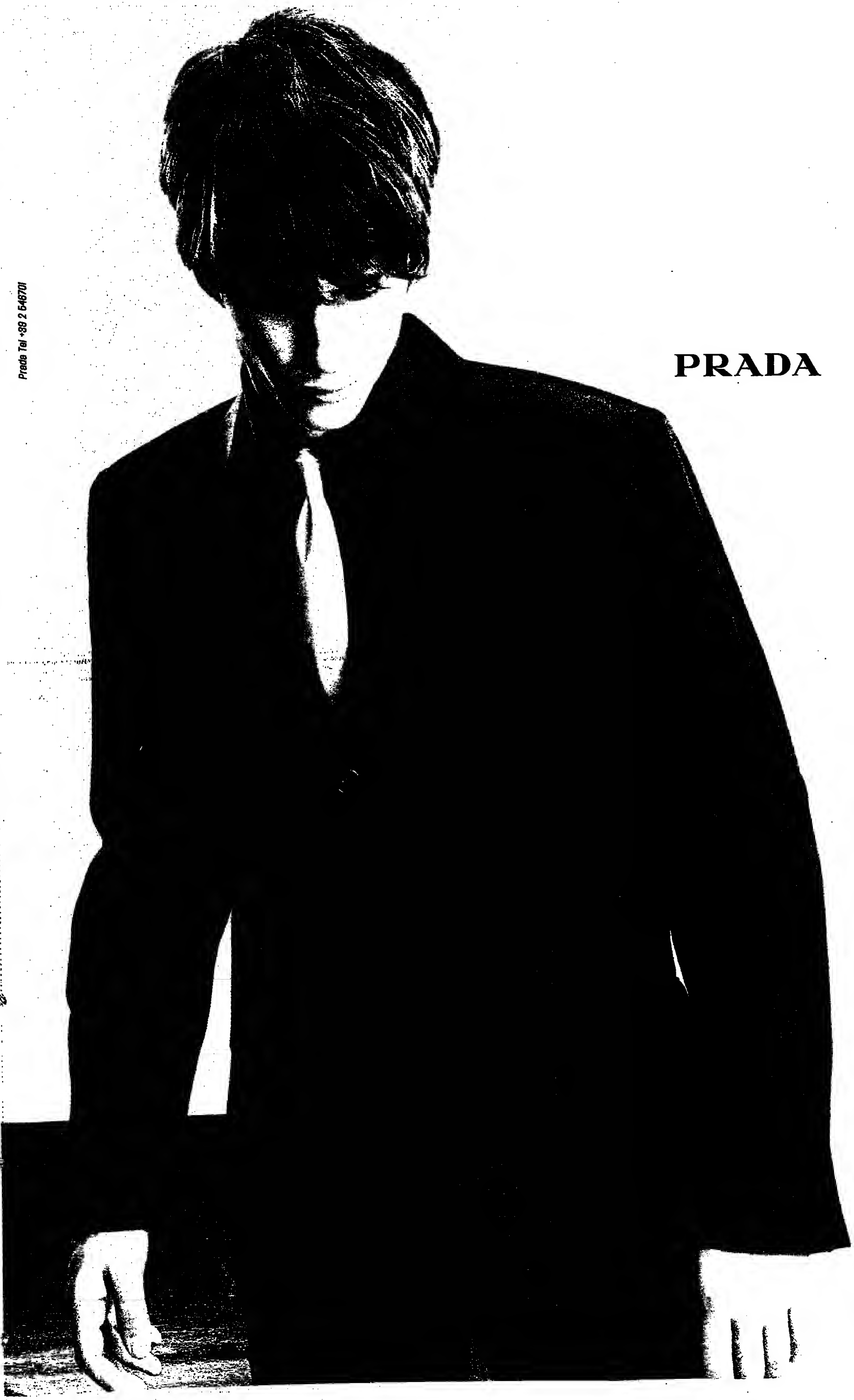

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MEN'S FASHION / A SPECIAL REPORT

Christopher Moore, Andrew Thomas/IHT

Armani's sheer sweater, showing the pectorals, with soft pants; Prada's nylon parka from the new sport range; Ferre's graphic patterned sweater, pants and suit; stars and stripes swimwear from John Bartlett for Byblos.

Armani's Great Escape; Prada's Active-Wear Sails Ahead

By Suzy Menkes

MILAN — What's he thinking about, this gray-suited guy off to work? One look at his chest, veiled in a shirt so sheer it looks like an ocean wave, and you know he's dreaming of a summer holiday.

Giorgio Armani took his collection on vacation and it made a gentle and fitting end to the Milan menswear season. Without chasing after the sportswear trend that filled many runways with track pants and drawstrings, Armani signaled a new ease for work as well as play.

"Relaxed, casual and comfortable," said the designer, who took his bow in an airy sweater, soft pants and sneakers.

For lazy summer days he envisaged beach pajamas, the unconstructed ethnic outfits you might find in Java and one sweater so sloppy it ended at the knees. Even the regular jackets were cardigan-soft and had subtle textures like bird-prints on sand.

The oceanic colors alone told the story, as a leather jacket came in a fresh Atlantic green and shades of blue washed over the tailoring. Or there might be a sudden flash of coral jacket and a seaweed purple for pants.

Nice and easy was also the message for the subtle changes that brought Armani's silhouette up-to-date: a new pant cut flat at the front but in liquid fabric; the jacket tightened across the back and at the arms and its collar skinny. The only strident note was sweaters bias-cut and asymmetrically sliced.

But what about all that sheer? Are men really going to put their pectorals on view in a see-through shirt or sweater? As with womenswear, the transparency is about a lightness of spirit — and it worked as part of Armani's great escape.

You want sports clothes? Then does Prada have new stuff for you! Its show hit perfect pitch from the moment it opened with the house's signature nylon reduced to a fine sea spray.

That was for a new collection of active-wear parkas and ponchos that came in cloud gray or off-white flashed with red.

Whereas the general trend is toward the sloppy and floppy, Prada's clothes are taut, clean and clinical: precise silhouettes tracing lab coats and Star Trek tunics. They reflect the futuristic, high-tech materials, like a poplin shirt weightlessly padded to give controlled volume or the dry papery finishes mixed with greasy nylon.

The way that Miuccia Prada has conjured up a clothing culture for menswear is impressive, not least because she never forgets the company's roots. The inspired finale had the famous Prada bags integrated into outfits, either as the crocodile-marked leather of a top, the tweedy canvas of a suit or as bags ergonomically built onto the garment.

"I started with the idea of an accessory that forms part of the body — not a backpack but something organic," said Prada after a show that showed the fast-moving company streaking ahead.

The brisk pace and a slender, tenderized silhouette gave a fresh look to Gianfranco Ferre's show. Abandoning both macho heroics and overwrought detail, the designer played up the graphic, architectural side of his menswear.

The new image was based on the narrowing down of the suit and the use of light, opalescent fabrics that gave sheen without shine. For shirt-jackets, lightness was the key, with black laminated silk or sheer materials lined with white cotton voile floating breezily against the body. When there was decoration, it was modern and graphic: broken lines like basting stitches.

FERRE had some theatrics, as clouds of chalk dust flew around garments splattered with white pattern. But then the designer was facing a perennial problem: to show the clothes or play to the camera eye?

Etro is convinced that the show's the thing. "Etrovision" it called the presentation, with morphing screen as backcloth and the models prancing out with a "third eye" on their forehead.

Yet the clothes were calmer than usual, offering blue workwear and Chinese-inspired, square-cut suits, with Etro's signature prints subtly introduced as dark paisley patterned pants. And when prints were eye-popping, they were modern: wavy computer lines zigzagging across overshirts.

Showing his first Byblos men's line, the American designer John Bartlett took a theme. The program notes described a Steve McQueen-style Continental playboy. Well, in those screaming lemon yellow pants and orange shirt with conifer cutouts, he would be left right on the continental shelf.

Bartlett is a modern, if cerebral, designer. And the pieces he created were strong and current: the sleeveless sweater; the boxy overshirt; the well-proportioned white suit and T-shirt tracked with geometric lines. But his misguided Playboy theme emphasized an important fact about modern fashion: retro is over. All those past images from colonial through hippie have been wiped out. And Bartlett is too smart a designer to need a theme as a crutch.

Did all the Milan shows need to be seen on the runway? Although designers want to convey a mood and spirit to affirm their images, so much of modern fashion is in the details, like the narrow drawstring puckering the back of a blouson and the complex mix of diagonal pinstripes that appeared in the sporty collection of Richard Edwards, an American design duo.

At Alexander dell'Acqua's show, the individual details meant deliberately raw seams on pants and the corset-like seaming in flesh tones on the designer's delicately worked sweaters.

One winner of the season was Missoni, which took over a vast empty building, and constructed two long photographic light boxes. On them, in all their glorious, intricate stitches, were the knits. Their shapes went from small sweaters to generous cardigans and the colors were like the four elements: airy and pale, through richer earth tones, to the cool blues-greens of the sea and finally fiery reds.

With hip video clips of the clothes playing on a gigantic screen, the presentation turned into an art happening — a dramatic but practical way of making men's fashion come to life.

When Fashion Jumps Into Sports Arena

By Rebecca Voight

PARIS — Fashion and sport may just be a match made in heaven. Ticket scams and hooligans aside, 80,000 spectators and an estimated 1.7 billion television fans will watch the World Cup soccer championship on July 12 and the warm-up act will be Yves Saint Laurent's 300 models gliding through the Stade de France, a symbol of what Pierre Berge describes as "the mysterious wedding of beauty and sport."

From Prada's bid for the America's Cup in 2000 to Tommy Hilfiger's link with Ferrari's Formula One Scuderia team, fashion at all levels is playing high visibility sports to win over customers. Once the exclusive territory of technical clothing and footwear, sports sponsorship is the latest arena for hot fashion companies.

Prada's single-handed sponsorship of the only Italian challenge in the America's Cup race represents a budget estimated at more than $50 million.

The two 16-member teams have been training since last August in the Mediterranean as well as in New Zealand. Prada's managing director, Patrizio Bertelli, who sailed often in the 1970s, hand-picked the teams and also acquired three America's Cup class boats for them.

Miuccia Prada worked with new technical materials and techniques to develop the gear worn by the Italian teams. And this year she quietly launched a sports collection. "For us, this isn't Prada Sport, it is just Prada. The only difference is a new label and a different brand name," she said.

Starting with casual pieces for men this spring, Prada has added womenswear, shoes and accessories for fall, including down jackets, polar knit tops, nylon ski pants and hiking boots. The collection is being bought by hip stores that cater to young customers, like Colette in Paris which sells high fashion but also the latest sneakers for urban wear.

Prada has steered clear of the heavy-handed logoing employed by other designer sport lines. "Our idea is to mix technology with normal dressing," Miuccia Prada said. "You don't need to disguise yourself as a champion to practice a sport. In the long term, I see formal dressing for special occasions and an increasing number of people wearing sportswear almost all day long."

According to Tommy Hilfiger, sports exert an "aspirational" appeal. His agreement with Ferrari for the 1998 season — an investment he estimates in the millions — includes outfitting the Scuderia team both on and off the track, as well as flashing his red, white and blue logo on the mirrors of the F1 cars. The Ferrari designs won't show up in the Hilfiger collection before next year.

"Ferrari is the most sought after automobile in the world, the ultimate," Hilfiger said. "This is a dream, but it's reality-based, because we're also dressing the pit crew and they get greasy."

And Formula One racing captures a European audience, a clientele that Hilfiger is now courting after opening his first European store on London's Sloane Street last year.

Hilfiger, with roots in casual, urban clothing, sponsors a huge cross section of sports, from the American golfer David Duval to California surfers. For this year's launch of Hilfiger Athletics, his new collection and third fragrance, the world champion cycling stuntman Libor Karas was signed on for promotional events. The advertising campaign features sons and daughters of well-known sports people like Cassandra Jenner, daughter of Bruce Jenner, an Olympic decathlon champion; and Amir Abdul-Jabbar, son of the basketball star Kareem Abdul-Jabbar.

SPORTS bounce fashion's message out to an audience it could never hope to capture on its own. The beauty giant L'Oreal, for example, earlier this year signed up the French soccer player David Ginola who did a television spot from the Stade de France in Saint-Denis.

Nautica, an American newcomer to the European market, is smaller than its U.S. competitors like Ralph Lauren and Calvin Klein, but it is betting on a sponsorship plan to forge a European identity. In the United States, Nautica has branched out from its sailing image into golf and basketball. In Europe, however, it remains true blue with the Nautica Match Racing Team, which is to tour Europe and visit Russia and Japan as well.

"The name Nautica comes from the Latin word for water, but we don't want to be limited to water sports," said the company's European president, J. Michael Haight. "Men are attracted to speed and to extreme sports in general, but they also want real, functional clothes." Thus Nautica's founder and designer, David Chu, develops fabrics like Nautech fleece and clever inventions such as zipper pulls with a thumb imprint so the wearer can unzip more quickly.

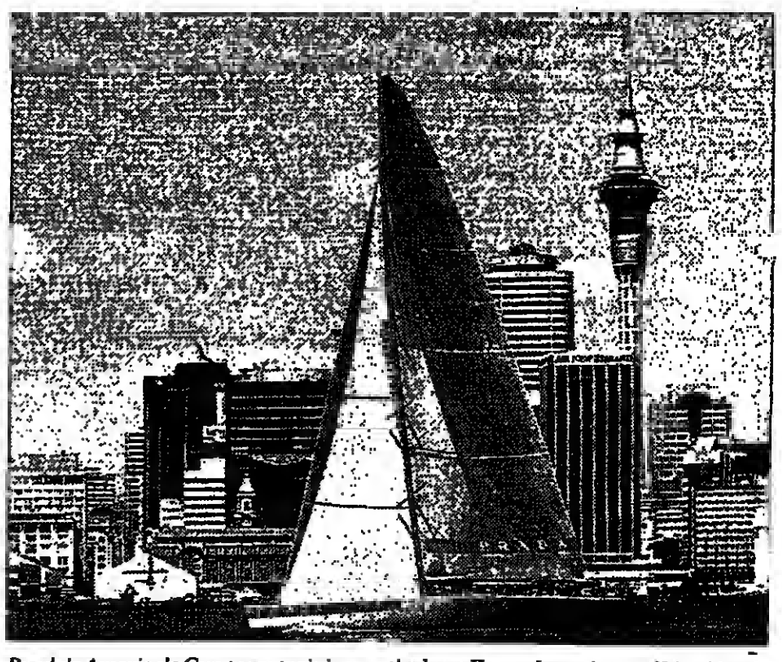
For labels that have always been involved with sports like Quiksilver, which calls itself the boardrider brand, the challenge is to preserve its insider reputation among a core of surf customers while developing mainstream clothing. Quiksilver is set to open a shop on the Champs-Elysees in Paris and sees itself increasingly competing with bigger sportswear names.

"We were born in the waves. We're like the Nike of surfing," said Harry Hodge of Na Pali, Quiksilver's European licensee. "From there it was natural for us to enter all the other extreme board sports, from windsurfing to skateboarding, snowboarding and skiing."

The brand, headquartered near Biarritz, puts surfers to work on product development, sponsors tournaments and uses champion surfers like Kelly Slater and Robby Naish to plug its image.

Hodge said, "I think it's great that generalist labels are now turning to extreme sports to communicate with customers. That's something we've always done, and the more people who see sport and fashion as one, the better it is for us."

REBECCA VOIGHT is a freelance journalist based in Paris.



Prada's America's Cup team training on the boat Kanza last winter off Auckland.

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Of Marketing, Magazines and Cultural Mores

By Godfrey Deeny

PARIS — In the not too distant future, European men will begin paying for magazines in the same currency. Yet what they find inside will continue to differ enormously throughout the Continent.

One of the great Holy Grails of European media, creating a Europeanwide men's title, remains exactly that — an unfinished quest.

COMMENTARY

That is essentially because what European men look for, and find, in magazines varies enormously from country to country.

These variations in magazine content reflect important economic and sociological differences, which are not about to change soon. For instance, the average male university graduate in Britain gets his first salaried job at about age 22. In Italy, where students take longer to get their degrees and military service exists, he starts his career at about 27. That means that young Britons tend to start reading magazines at a much younger age and buying the products advertised within with their own, and not their parents, money.

Men's magazines also thrive most in periods of rapid change. One of the results of Thatcherism and Reaganism was the creation of a class of monied consumers who came from families that were unable to afford the luxuries of life. At its most basic, these consumers needed magazines to explain how to spend their money. All this helps to explain the startling difference in the sales of men's magazines throughout Europe.

In Britain, GQ, Esquire, Loaded, FHM, Arena and the recently launched Deluxe collectively sell well in excess of a million copies a month. In the more traditional cultures of Italy, France and Germany, national sales of men's monthlies are, at most, one quarter that amount.

The sheer number of titles has also generated a powerful school of British photographers, like Nick Knight, David Sims, Glen Luchford and Craig McDean, who shoot scores of ad campaigns throughout Europe. Their work also appears in a small group of men's fashion magazines — Dutch, Arena Hommes Plus, Uomo Vogue or Vogue Hommes International — which stand apart from more generalist men's magazines in that they are more international and avant-garde.

Part of the task of editing a men's fashion magazine is showing designers and brands exciting new ways to look at their creativity. Older readers, and advertisers, occasionally ask me why we feature shoots that are dark and, at least to them, strange. The answer is that we don't want to bore our readers by producing a magazine that looks like a catalogue. Others find it strange that not all of our models are gorgeous hunks, which is akin to female readers complaining about the "ugly beauty" trend so present in women's magazines. Once again, the reason is that nobody reads magazines to find the tried and tested and that the concept of style and elegance changes for men and for women.

Returning to France, it is important to realize that it is a country where people are traditionally not keen to advertise wealth. French houses thus tend to be more conservative in their ads. As a result some forget a cardinal rule in fashion — a brand's need to periodically reinvent itself.

Fortunately, there are some exceptions. Under the design director Hedi Slimane, Yves Saint Laurent's classic cuts have become hip again. Many consumers arguably first became aware of this only after YSL hired the cutting-edge, London-based photographer Juergen Teller to shoot their ad campaign.

Louis Vuitton, Hermes and Kenzo are three other French luxury brands that have had major international successes by using their men's advertising to great effect.

One survey conducted for Vogue Homme International showed that 95 percent of its readers responded to advertising from new brands. What readers wish to express by the way they dress, however, differs — Frenchmen want to be elegant, Italians refined and Germans different.

The purpose of fashion ads is certainly to stop people and make them think. Young men don't look inside their fathers' jackets to discover the label within, so ads are probably the most powerful tool that exists to simply inform emerging consumers of what is available in men's fashion.

One key reason Italian fashion designers are so well known is that they heavily outspend their European rivals. The great Milan houses spend a higher proportion of their budgets, about 4 percent per year annually, and up to 10 percent on launches. Significantly, Americans like Calvin Klein and Ralph Lauren have similar spending patterns.

GODFREY DEENY is editor in chief of Vogue Hommes International.

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Herald Tribune (INTERNATIONAL)
SPORTS
SATURDAY-SUNDAY, JULY 4-5, 1998

World Roundup

Dallas Signs Hull

ICE HOCKEY Brett Hull, the All-Star winger, signed a three-year, $17 million contract with the Dallas Stars on Friday.

Hull, 33, a 13-year National Hockey League veteran with 554 career goals, turned down a $15 million contract with his old team, the St. Louis Blues, in March. *(AP)*

Vikings Are Sold, at Last

FOOTBALL Red McCombs, former owner of the San Antonio Spurs of the National Basketball Association, has bought the Minnesota Vikings of the National Football league. The bid was said to be as high as $250 million. An earlier bid by Tom Clancey, the novelist, had fallen through. *(AP)*

Cardinals Sign Drew

BASEBALL J.D. Drew, who refused to sign with Philadelphia last season but was picked again in the first round of this year's draft by St. Louis, has signed with the Cardinals, the team said Friday. The deal is believed to be worth about $7 million over four years.

• Mo Vaughn, the Red Sox first baseman, will miss the All-Star Game because of hamstring strain. He was replaced on the roster by Rafael Palmiero of Baltimore.

• Dean Palmer, the Kansas City third baseman, will miss his first All-Star game after being hit by a pitch in the left elbow by St. Louis's Juan Acevedo. *(AP)*

Kirsten Makes 210

CRICKET Gary Kirsten was finally out for 210 Friday as his team tightened its grip on the third test against England in Manchester. Kirsten's innings, the longest in South African history, provided the backbone of a total of 487 for four at close on the second day. *(AP)*

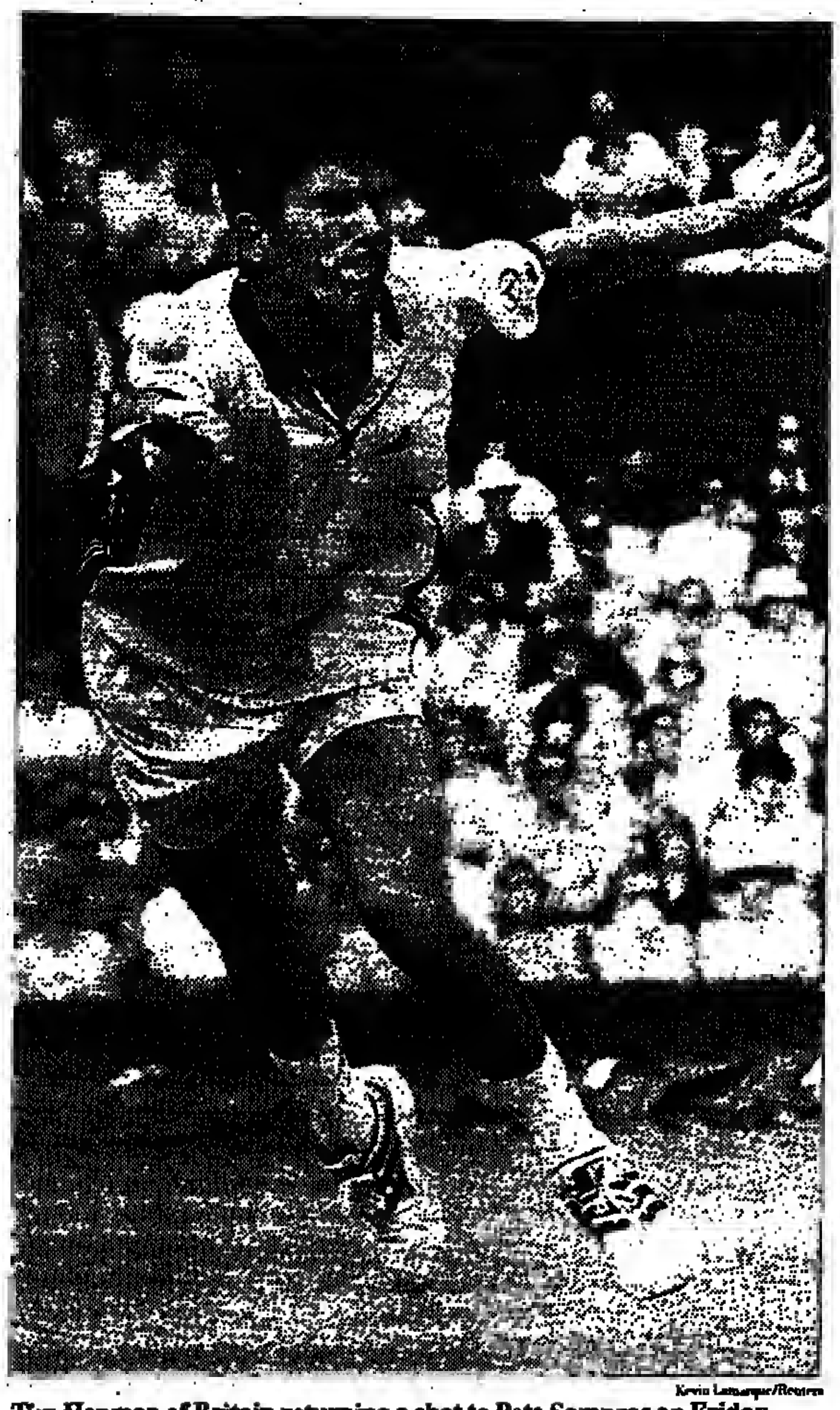
Davies Shares Open Lead

GOLF Laura Davies of Britain shot a three-under-par 68 to earn a share of the first-round lead with Kim Williams of the United States at the U.S. Women's Open.

Davies hit mainly three-irons off the tees on Thursday and matched her career-best U.S. Open round with four birdies and one bogey at Blackwolf Run in Kohler, Wisconsin. *(Reuters)*

AP

Laura Davies teeing off on No. 17 at U.S. Women's Open.



Kevin Lamarque/Reuters

Tim Henman of Britain returning a shot to Pete Sampras on Friday.

Sampras and Ivanisevic in Final

American Cruises Past Henman, While Croatian Outlasts Krajicek

By Jennifer Frey
Special to the Herald Tribune

WIMBLEDON, England — Goran Ivanisevic was laughing and looking up at the heavens when he first reached match point in his Wimbledon semifinal on Friday, his tongue hanging out of his month and his head clearly in the clouds. At the time, it was still midafternoon: the sun bright, the crowd restless, and the second Wimbledon semifinal — between the American Pete Sampras and England's own Tim Henman — so tantalizingly close.

Ninety minutes and 31 games later, his large body now casting a late-

WIMBLEDON

afternoon shadow across the Centre Court baseline, Ivanisevic whipped off his bandanna, dropped to his knees and screamed at those same heavens in relief. After blowing a two-sets-to-none lead, and squandering two match points in the fourth set, Ivanisevic finally finished off Richard Krajicek of the Netherlands, 6-3, 6-4, 5-7, 6-7 (5-7), 15-13.

Throughout the incredible marathon, Sampras and Henman sat in the players' locker room in nervous anticipation, waiting and wondering when their time would come. And, once it did, Henman made a gallant, though unsuccessful, attempt to unseat the world's No. 1 player and give England a shot at its first Wimbledon champion in 62 years.

With both competitors playing strong serve-and-volley games, Sampras fended off Henman's challenge to take a 6-3, 4-6, 7-5, 6-3 victory and earn a berth Sunday in the final against Ivanisevic.

"It was a tongh match, it really was," Sampras said, in a television interview immediately after the match. "He's a good friend, and I know how important this was. He's going to learn from this match. He's only 23. I'm sure he's going to come back here many more times."

Sampras won the match on a 134-mile-an-hour ace down the middle, then calmly walked to the net to shake hands with Henman, as both players were fiercely applauded by the crowd.

Now poised to play for his fifth Wimbledon title and 11th Grand Slam crown, Sampras did not bother with any exaggerated celebrations — he knows well that there is more work to be done.

Ivanisevic, by contrast, threw his bandanna, his racket, his towels and anything else he could find into the crowd after finally defeating Krajicek to earn his third shot at the Wimbledon title he has yet to claim.

A loser to Sampras here in 1994 and to Andre Agassi in 1992, Ivanisevic, a Croatian, is routinely referred to as "the greatest player never to win a Grand Slam."

The fans applauded him warmly, slowly emerging from the numbness that seemed to settle over everyone during the long, agonizing fifth set. Like Ivanisevic, the crowd thought that match was over — and Henman was oo his way — when Ivanisevic stepped to the line with a 5-4 lead and double match point in the fourth set.

Then, Ivanisevic let loose with a fierce serve that he — and Krajicek — thought was an ace, but the electronic beeper went off to indicate a let. Krajicek, who was already walking to the oet to shake hands, turned as both players returned to their respective baselines — Krajicek smiling in relief and Ivanisevic smiling and laughing and looking op at the sky as if he wanted to ask, "Why? Why?"

"O.K.," it's 40-15. I'm serving O.K.," Ivanisevic told himself. "Now I'm going to hit another good serve."

He did, only Krajicek came up with a fantastic return.

So Ivanisevic walked back to the baseline again.

"No problem," he told himself, "40-30."

Then he double-faulted. Then he got nervous. Then Krajicek hit a winner, theo a passing shot, then he held serve, then the match went to a tiebreaker.

"I still kept my mind there," Ivanisevic said. "I had a chance in the tiebreaker, then the fifth set was just a horror-thriller."

Krajicek broke Ivanisevic to go up by 3-2 in the fifth set; Ivanisevic immediately broke back, and, from that point, the match played like some sort of mechanical exercise. There were no more break points until the decisive game — only once did a game even go to deuce — as Krajicek served up ace after ace after ace, and Ivanisevic pounded serve after serve after serve to Krajicek's weak backhand, then moved in for the volley.

Krajicek served 23 aces in the fifth set alone, and had 42 for the match, putting him four shy of the Wimbledon record. Ivanisevic finished with just 28, a relatively low number for a man who led all of Wimbledoo with 133 aces coming into these semifinals, but this match was not about his serve, it was about his famously fickle head.

"That's strange, you know," Ivanisevic said, when asked how he kept his temper. "But I think, if I lose it for just a second, I lose the match. I don't think anybody bet on me when I lost the fourth set. Everybody said: 'Maybe it's going to be 6-2, maybe 6-3. He's gone. He's going to lose it.'"

Ivanisevic got a chuckle with that commeot — he knows his own reputation well — hut Krajicek did not necessarily agree. Forced to serve from behind throughout the long fifth set, Krajicek felt that Ivanisevic managed to stay looser, and more relaxed, because of the advantage of serving first. And it didn't shock him at all when Ivanisevic finally broke him in the 28th game of that set.

"I'm not very surprised," Krajicek said. "That's Goran. The only thing predictable about Goran is that he's unpredictable."

Braves' Maddux and Rex Sox' Martinez Work Their Magic

The Associated Press

Greg Maddux and Pedro Martinez bolstered their bids to become the starting pitchers in next week's All-Star Game.

Maddux won his 10th consecutive decision, pitching a five-hitter for his second straight shutout as Atlanta won, 6-0, at Tampa Bay on Thursday night.

"He was throwing the ball where he wanted right from the start," said the

BASEBALL ROUNDUP

Devil Ray manager, Larry Rothschild. "That's what makes him what he is."

Maddux (12-2), the winningest pitcher in the majors, struck out eight and walked one to strengthen his case for the NL starting job in Denver on Tuesday.

"I'm getting a lot of runs," Maddux said, explaining his recent success. "I've had a lot of games where I've had six or more runs, and that helps."

Keith Lockhart homered twice for Atlanta.

Red Sox 15, Expos 0 Martinez (11-2) pitched two-hit ball for six innings as Boston routed Montreal at Fenway Park. He was lifted as a precaution after the Red Sox scored six runs in the fifth and four in the sixth to take a 14-0 lead.

"He had two long innings in a row" in the dugout, said the Red Sox manager, Jimy Williams said. "It's oot that he had thrown a lot of pitches. We just wanted to protect our investment."

Martinez, probably competing with the Yankees' David Wells for the American League starting berth in the All-Star Game, struck out five and walked none against his former team. He retired the first 13 batters and left with the huge lead after throwing only 67 pitches.

Mariners 10, Rockies 3 Ken Griffey Jr. homered for the fourth consecutive game, hitting his league-leading 35th and tripling as Seattle beat Colorado. Russ Davis also homered for the host Mariners, who hammered Darryl Kile (5-11) with 10 runs in the first two innings.

Orioles 5, Marlins 3 Rafael Palmeiro homered for the fourth consecutive game, raising his total to 26, and Baltimore stopped its eight-game losing streak. Sidney Ponson (2-6) allowed two runs in six innings to help the host Orioles win their first game since June 22.

Pirates 5, Tigers 2 Esteban Loaiza limited Detroit to a run over 7⅔ innings and helped himself with a run-scoring single as Pittsburgh ended its four-game home losing streak.

Mets 9, Blue Jays 1 Mike Piazza homered, and Bobby Jones (7-5) allowed five hits over eight innings as New York salvaged the last game of the three-game series at Toronto.

Indians 7, Brewers 2 Jim Thome hit a two-run homer, and Bartolo Colon won his fifth straight start and had his first major league hit for Cleveland at Milwaukee.

White Sox 4, Astros 3 Magglio Ordooez hit a three-run double in Chicago's four-run fourth inning as the White Sox avoided a sweep at Houston. James Baldwin (3-3) and two relievers combined oo a five-hitter against the Astros, who got 30 hits in winning the first two games by a combined score of 27-6.

Cardinals 3, Royals 0 Juan Acevedo pitched 7⅔ scoreless innings as St. Louis snapped a three-game losing streak. Mark McGwire, who leads the majors with 37 homers, went 0-for-2 with two walks as the Cardinals woo for only the second time in nine games.

Reds 8, Twins 7 Reggie Sanders' triple started a four-run eighth inning, and Eddie Taobensee's RBI single in the ninth completed Cincinnati's comeback at home. The Reds got their sixth victory in seven games by scoring all eight runs against Minnesota relievers.

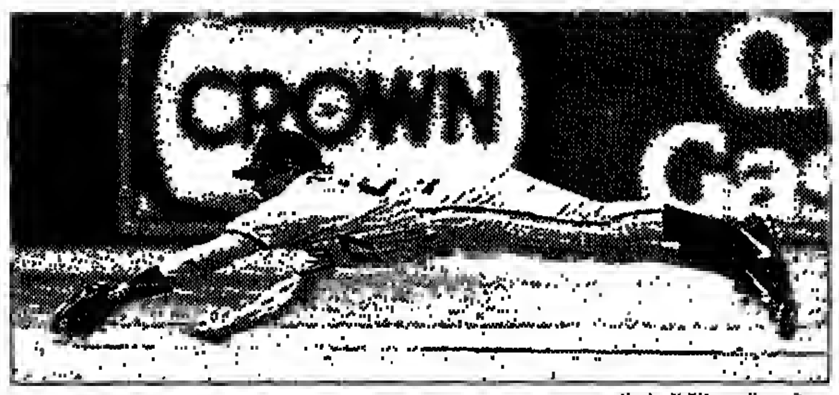
Dodgers 4, Rangers 1 Chan Ho Park pitched 8⅓ strong innings, and Charles Johnson hit a three-run homer as Los Angeles completed a three-game sweep at Texas.

Yankees 9, Phillies 8 Tino Martinez tied it with a three-run homer with two outs in the bottom of the ninth, and Ricky Ledee singled home the winning run in the 11th for New York at Yankee Stadium. New York, whicb trailed by 7-2 in the eighth, swept the three-game series.

Athletics 7, Padres 2 At Oakland, Kenny Rogers pitched a six-hitter, and Miguel Tejada hit a three-run homer for the A's.

Giants 7, Angels 4 At Anaheim, J. T. Snow homered twice and drove in four runs, and Kirk Rueter earned his 10th victory for San Francisco.

Cubs 3, Diamondbacks 2 Jose Hernandez hit a tiebreaking, two-run single in the sixth inning as the host Cubs won coosecotive games for the first time in three weeks. Sammy Sosa, who hit a record 20 homers in June to raise his season total to 33, weot 0-for-3.



Heather Hall/Agence France-Presse

The Marlins' Todd Zeile narrowly missing a drive down third-base line.

Scoreboard

BASEBALL

Major League Standings

NATIONAL LEAGUE

EAST DIVISION	W	L	Pct.	GB
Atlanta	56	29	.659	—
New York	44	36	.550	9½
Philadelphia	40	42	.488	14½
Montreal	33	50	.398	22
Florida	30	54	.357	25½
CENTRAL DIVISION				
Houston	51	33	.607	—
Chicago	45	39	.536	6
Milwaukee	43	39	.524	7
St. Louis	40	43	.482	10½
Pittsburgh	40	45	.471	11½
Cincinnati	36	50	.419	16
WEST DIVISION				
San Diego	54	31	.635	—
San Francisco	50	36	.581	4½
Los Angeles	43	42	.506	11½
Colorado	37	49	.430	17½
Arizona	29	56	.341	25

AMERICAN LEAGUE

EAST DIVISION	W	L	Pct.	GB
New York	58	20	.744	—
Boston	50	32	.610	10
Toronto	43	43	.500	18½
Baltimore	38	47	.447	23½
Tampa Bay	34	49	.410	26½
CENTRAL DIVISION				
Cleveland	48	34	.585	—
Minnesota	39	44	.470	9
Kansas City	37	46	.446	11½
Chicago	34	49	.410	14½
Detroit	32	49	.395	15½
WEST DIVISION				
Anaheim	49	34	.590	—
Texas	46	38	.548	3½
Oakland	38	45	.458	11
Seattle	36	49	.423	14

THURSDAY LINESCORES

INTERLEAGUE

Atlanta 000 002 013—6 11 1
Tampa Bay 000 000 000—0 5 0
Maddux & Perez; Arrojo, Aldred (8), Mecir (8) & DiFelice. W—Maddux, 12-2. L—Arrojo, 10-5. HRs—Atl, Lockhart 2 (6), C.Jones (21).

Florida 200 000 100—3 9 1
Baltimore 200 120 00x—5 10 0
Fontenot, Ojala (5), Edmondson (8) and Zaun; Ponson, Rhodes (7), A.Benitez (8) and Webster. W—Ponson, 2-6. L—Fontenot, 0-7. Sv—A. Benitez (9). HRs—Florida, O. Lee (9). Baltimore, R. Palmeiro (26).

Colorado 001 200 000—3 10 1
Seattle 640 000 00x—10 12 0
Kile, Munoz (3), Veres (6), Dipoto (8) and J. Reed; Swift, B.Wells (8), Spoljaric (9) and O. Wilson. W—Swift, 8-4. L—Kile, 5-11. HRs—Colorado, Castilla (25). Seattle, Griffey Jr (35), R.Davis (14).

Detroit 000 000 101—2 8 1
Pittsburgh 010 201 10x—5 9 0
B.Powell, Crow (5), Runyan (7), Brocail (7). To.Jones (8) and Bako; Loaiza, Rincon (8), Loiselle (9) and Kendall. W—Loaiza, 6-4. L—B. Powell, 0-1. Sv—Loiselle (14). HR—Detroit, L. Gonzalez (9).

N.Y. Mets 002 061 000—9 11 0
Toronto 000 000 100—1 5 0
BJ.Jones, J. Franco (9) and Pratt; Hentgen, Person (6), Stieb (7) and Fletcher. Kl.Brown (8). W—BJ.Jones, 7-5. L—Hentgen, 9-5. HRs—New York, Piazza (14), Pratt (2). Toronto, C. Delgado (15).

Montreal 000 000 000—0 3 2
Boston 220 064 10x—15 20 0
Pavano, DeHart (5), M. Batista (5), Telford (8) and Widger; M.Hubbard (8); P.Martinez, Wasdin (7), C. Reyes (9) and Hatteberg. W—P. Martinez, 11-2. L—Pavano, 2-2. HR—Boston, Garciaparra (12).

Cleveland 012 100 201—7 10 1
Milwaukee 100 000 001—2 13 0
Colon, Plunk (7), Assenmacher (9) and S. Alomar; Woodall, A. Reyes (7), D. Jones (9) and Hughes. W—Colon, 9-4. L—Woodall, 4-3. HRs—Cleveland, M. Ramirez (16), Thome (22), Dunston (3).

White Sox 000 400 000—4 7 0
Houston 000 120 000—3 8 1
Baldwin, Howry (6), Simas (8) and Kreuter; Lima, Elarton (8) and Ausmus. W—Baldwin, 3-3. L—Lima, 7-5. Sv—Simas (4). HR—Houston, Bagwell (19).

Minnesota 100 001 230—7 14 0
Cincinnati 000 000 341—8 11 2
Milton, Swindell (7), Trombley (7), Carrasco (8), Guardado (8), Aguilera (8) and Steinbach; Harnisch, G. White (7), Sullivan (8), Graves (8), Shaw (9) and Fordyce, Taubensee (8). W—Shaw, 2-4. L—Aguilera, 3-5. HRs—Minnesota, Lawton (10), Steinbach (5). Cincinnati, B. Boone (11).

Kansas City 000 000 000—0 7 0
St. Louis 000 001 02x—3 5 0
Pichardo, Haney (7), Bones (8), Whisenant (8) and M.Sweeney; Acevedo, Painter (8), Brantley (9) and Marrero. W—Acevedo, 3-2. L—Pichardo, 4-7. Sv—Brantley (12).

Los Angeles 030 010 000—4 11 2
Texas 010 000 000—1 7 0
Park, Radinsky (9) and C. Johnson; O.Oliver, Crabtree (6), X.Hernandez (9) and I. Rodriguez. W—Park, 7-5. L—D. Oliver, 4-6. Sv—Radinsky (12). HR—Los Angeles, C. Johnson (11).

Philadelphia 000 200 111 00—8 13 1
N.Y. Yankees 000 101 032 01—9 14 1
T.Green, Gomes (7), Y. Perez (8), M. Leiter (8), Spradlin (11) and Lieberthal; Irabu, Holmes (4), Stanton (7), Buddie (9) and Posada. W—Buddie, 3-0. L—Spradlin, 3-4. HRs—Philadelphia, Brogna 2 (13), Lieberthal (8), M. Lewis (6). New York, D. Jeter (10), O'Neill (11), T.Martinez 2 (14).

San Diego 020 000 000—2 6 0
Oakland 001 013 20x—7 10 0
Hitchcock, Boehringer (7) and Leyritz; Rogers and Hinch. W—Rogers, 8-3. L—Hitchcock, 4-2. HRs—San Diego, Leyritz (11). Oakland, Tejada (2).

San Francisco 301 003 000—7 10 0
Anaheim 100 000 003—4 10 0
Rueter, Tavarez (6), R. Rodriguez (9), S. Rood (9) and B. Johnson; Dickson, P. Harris (6), Holtz (9) and Nevin. W—Rueter, 10-3. L—Dickson, 8-6. HRs—San Francisco, Snow 2 (9). Anaheim, Erstad (18), Dv.Hollins (9).

NATIONAL LEAGUE

Arizona 000 100 001—2 0 1
Chicago 000 012 00x—3 8 0
Suppan, Valdez (6), Choainard (7) and Fabregas; Trachsel, Mulholland (8), Beck (9) and Servais. W—Trachsel, 7-5. L—Suppan, 1-7. Sv—Beck (20). HR—Arizona, White (13).

Japanese Leagues

FRIDAY RESULTS

CENTRAL LEAGUE

Hanshin 4, Hiroshima 1

PACIFIC LEAGUE

Nippon Ham 5, Seibu 2
Orix 7, Kintetsu 2
Daiei 4, Lotte 3

CRICKET

SOUTH AFRICA VS. ENGLAND
THIRD TEST, 2ND DAY
FRIDAY IN MANCHESTER, ENGLAND

South Africa: 487-4

INDIA VS. NEW ZEALAND
INDEPENDENCE CUP TOURNAMENT
FRIDAY IN COLOMBO, SRI LANKA

Match abandoned due to heavy rain. Each team gets one point from the match.

STANDINGS: India 0 points, Sri Lanka 6, New Zealand 4.

FOOTBALL

CFL Standings

EASTERN DIVISION	W	L	T	Pts.	PP	PA
Montreal	1	0	0	2	27	24
Toronto	0	0	0	0	0	0
Hamilton	0	1	0	0	20	21
Winnipeg	0	1	0	0	24	27
WESTERN DIVISION						
Calgary	1	0	0	2	21	20
Edmonton	1	0	0	2	20	12
Saskatchewan	0	0	0	0	0	0
Brit. Columbia	0	1	0	0	12	20

THURSDAY RESULT

Edmonton 20, British Columbia 12

TENNIS

Wimbledon

FRIDAY IN LONDON
MEN'S SINGLES
SEMIFINALS

Goran Ivanisevic (14), Cro., def. Richard Krajicek (9), Neth., 6-3, 6-4, 5-7, 6-7 (5-7), 15-13.

Pete Sampras (1), U.S. def. Tim Henman (12), Britain, 6-3 4-6 7-5 6-3

MEN'S DOUBLES
SEMIFINALS

Jacco Eltingh, Netherlands, and Paul Haarhuis (1), Netherlands, def. Wayne Black, Zimbabwe, and Sebastien Lareau (12), Canada, 6-4, 6-4, 7-5.

Todd Woodbridge and Mark Woodforde (2), Aus. def. Jonas Bjorkman, Swe., and Pat Rafter (5), Aus., 6-4 1-6 6-2 7-5

WOMEN'S DOUBLES
QUARTERFINALS

Lindsay Davenport, U.S., and Natasha Zvereva (2), Belarus, def. Catherine Barclay, and Kerry-Anne Guse (14), Aus., 6-4, 6-2.

Lisa Raymond, U.S., and Rennae Stubbs (7), Aus., def. Arantxa Sanchez Vicario, Sp., and Helena Sukova (3), Czech R., 4-6, 6-3, 6-1.

SOCCER

MAJOR LEAGUE SOCCER

Washington D.C. 3, Miami 1

TRANSITIONS

BASEBALL
AMERICAN LEAGUE

AL—Upheld 5-game suspension of New York LHP Mike Stanton, but rescinded his $1,000 fine for hitting Baltimore OF Eric Davis in June 15 game. Announced Boston 1B Mo *Vaughn and Kansas City 3B Dean Palmer will* not participate in All-Star Game, and Baltimore 1B Rafael Palmeiro will take Vaughn's place on roster.

BASKETBALL
NATIONAL BASKETBALL ASSOCIATION

UTAH—Signed Jerry Sloan, coach, to 3-year contract.

FOOTBALL
NATIONAL FOOTBALL LEAGUE

MINNESOTA—Announced sale of franchise to Red McCombs.

The Week Ahead

Saturday, July 4

HORSE RACING, Sandown, England — Eclipse Stakes.

CRICKET, Colombo — India vs. New Zealand, Independence Cup; Manchester, England — England vs. South Africa, 3d test, to July 6.

GOLF, *Kita-Gunma, Japan — men,* PGA Philanthropy, to July 5; Dublin, Ireland — men, Murphy's Irish Open, to July 5; Cromwell, Connecticut — men, Hartford Open, to *July 5; Kohler, Wisconsin — women, U.S.* Women's Open, to July 5; Ichihara, Japan — women, Tohato Ladies, to July 8.

ROWING, Henley on Thames, England — Henley Royal Regatta, to July 5.

SOCCER, various sites, France — World Cup finals, to July 12.

SUMO, Nagoya, Japan — Nagoya Grand Sumo Tournament, to July 19.

TENNIS, Wimbledon, England — men, women, The Championships, to July 5.

Sunday, July 5

ATHLETICS, Linz, Austria — Zipfer Gugl Grand Prix; Budapest, Hungary — International meet.

CRICKET, Colombo — Sri Lanka vs. New Zealand, Independence Cup.

MOTORCYCLE RACING, Donington, *England* — British *Grand Prix.*

Monday, July 6

TENNIS, Maria Lankowitz, Austria — women, Styria Open, to July 12; Gstaad, Switzerland — men, Swiss Open, to July 12; Bastad, Sweden — men, Swedish Open, to July 12; Newport, R.I. — men, Miller Lite Hall of Fame Championships, to July 12; Prague — women, Skoda Czech Open, to July 12.

SOCCER, Geneva, Switzerland — UEFA, European cup draw.

Tuesday, July 7

BASEBALL, Denver — U.S. Major *League Baseball, All-Star game.*

CRICKET, Colombo, Sri Lanka — Independence Cup final.

Wednesday, July 8

GOLF, *Loch Lomond, Scotland — men,* Loch Lomond World Invitational, to July 11.

Thursday, July 9

CRICKET, Amsterdam — Netherlands vs. South Africa.

GOLF, Hiroshima, Japan — men, Yonex Open, to July 12; Coal Valley, Illinois — men, Quad City Classic, to July 12; Sylvania, Ohio — women, Jamie Farr Kroger Classic, to July 12.

Friday, July 10

ATHLETICS, Turku, Finland — European Championships (under 23), to July 13; Nuremberg, Germany — Live'98, international meet, to July 12.

GOLF, Sapporo, Japan — Toyo Suisan Ladies, to July 12.

ROWING, Lucerne, Switzerland — Rowing *World Cup, to July 12.*

Saturday, July 11

ATHLETICS, Lille, France — Vittel Stadium, International meeting.

CRICKET, Edinburgh — Scotland v Bangladesh.

CYCLING, Dublin, Ireland — start of Tour de France, to Aug. 2.

GAMES *Moscow* — World Youth Games, to July 19.

RUGBY UNION, Melbourne, — Australia vs. New Zealand, tri series-Bledisloe Cup.

Sunday, July 12

CRICKET, *Downpatrick, Ireland — Ireland* vs. South Africa; Southampton, England — Hampshire vs. Sri Lanka.

HORSE RACING, Curragh, Ireland — *Irish Oaks.*

MOTOR RACING, Silverstone, England — Formula One, British Grand Prix.

3rd Quarter Final - 19.00 (CET)
4th Quarter Final - 24.00 (CET)
tune in tonight
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Herald International Tribune
WORLD CUP

SATURDAY-SUNDAY, JULY 4-5, 1998

WORLD CUP BRIEFS

English Fan Faces Murder Charge

A 43-year-old English supporter was arrested Friday on suspicion of having stabbed to death a Frenchman in a train on Tuesday, the day of England's World Cup defeat at the hands of Argentina.

Paul Birch, an engineer from London, is not listed as a known hooligan but has confessed to stabbing the Frenchman in a Lyon-bound train as it pulled into Saint-Andre-le-Gaz statioo in the south-eastern Isere region, police said.

French police said Birch appeared to be mentally deranged.

Birch apparently stabbed Eric Frachet, a 33-year-old actor, because Frachet smiled at him.

Birch reportedly thought Frachet was an Argentina fan who was making fun of him before the second round match between England and Argentina in nearby Saint Etienne.

Birch stabbed Frachet in the stomach, then fled when the train pulled into the station.

Birch was detained Wednesday night after a fight in a Grenoble hotel involving the night porter. Police later connected Birch to the murder. *(AFP)*

• Some 64 people are in prison on World Cup related charges, the French Interior Ministry said Thursday. Of these, 38 have been convicted and jailed for terms between one week and two years. Twenty six are awaiting sentencing. *(Reuters)*

Lyon Adds 700 Police

The city of Lyon has drafted 700 extra police officer, including 18 German "spotters," and imposed a partial alcohol ban ahead of the World Cup quarterfinal Saturday between Germany and Croatia.

"It's the quarterfinals, the weekend, the start of the holiday period, so it's quite likely that there will be a few dozens, a few hundreds of people posing a threat," said prefect Michel Besse, the government's represeotative for the region. *(Reuters)*

Replacement Is Fired

Ali Selmi, who took charge of the Tunisian World Cup squad after coach Henry Kasperczak was dismissed during the World Cup, was himself dismissed on Friday.

Selmi replaced Kasperczak after Tunisia lost its first two matches. It drew, 1-1, with Romania in Selmi's only match in charge, hut he was fired, along with deputy coach Ali Racbed after a meeting of the Tunisian federation. *(Reuters)*

Cameroonians Sue FIFA

The Cameroonian cultural association in Paris is suing FIFA, the governing body of world soccer, over a disallowed goal during a World Cup match against Chile.

The associatioo claims that the "inexcusable mistake" hy referee Laszlo Vagner in disallowing Francois Omam Biyick's goal unjustly eliminated Camerooo.

"We doo't look at this in the terms of the sport, hnt in terms of civil responsibility," said Michel Tanpier, the lawyer for the Cameroon association.

"We consider the referee is a FIFA official, the FIFA being the civil party responsible for the damaged suffered."

The association is suing for 300,000 francs ($50,000) for financial losses and 100,000 francs for emotional distress. *(AP)*

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Michel Lipchitz/The Associated Press

Francesco Moriero, the Italian winger, leaping to volley the ball past Bixente Lizarazu, the French full back.

SOCCER: *France Squeezes Past Italy on Penalty Kicks by 4-3*

Continued from Page 1

Bixente Lizarazu and Italy's Demetrio Albertini had both been stopped hy the goalkeepers earlier. But after the French defender Laurent Blanc beat Gianluca Pagliuca to give France a 4-3 advantage, Di Biagio, the last of Italy's five designated penalty shooters, walked forward to try to keep Italy in contention.

Most of his teammates were stretched out on the ground at midfield, Most of the French were on their feet, although France's star playmaker, Zinedine Zidane, was on his knees with his arms locked behind his back as if he were serving a penitence.

Zidane had already been forced to miss the last two games for France after receiving a red card against Saudi Arahia, and despite all his ball-caressing skill and vision, he had been unable to produce a goal against the Italian defenders he faces so often in the Calcio.

Bnt Zidane's penitence would soon be served. Di Biagio, a 27-year-old late bloomer who plays for Roma, jogged forward, struck the ball with his right foot toward the middle of the goal.

Barthez, the bald, bearded and bold French goalie, had guessed wrong and dived to his left. The crowd of 80,000 was screaming too loudly for anyone but Barthez and Di Biagio to hear the sound of the ball striking the crossbar, hut a groan was surely heard all across Italy and a roar across France.

"If I'm not mistaken, this is the third time in World Cup history that we have beeo eliminated this way," Maldini said. "Perhaps we are cursed a little hit, hut I'm proud of my players. They gave everything."

The French, meanwhile, advanced to the semifinals. This will be France's fourth chance to get beyond that stage, having failed in 1958, 1982 and 1986. The pivotal player for France in 1982 and 1986, Michel Platini, is now president of the World Cop organizing committee, and he watched the match Friday from the stands with the French president, Jacqoes Chirac, at his side.

What the two presidents saw was a French team with a remarkable back line and a remarkable midfield, led by Zidane, but a problem putting the ball in the oet. Since taking over the French team in 1994, Jacquet has been searching for strikers capahle of capitalizing on the opportunities that Zidane and the midfield are so adept at creating.

France scored nine goals in its three group matches, but has managed only one in its last two matches against the Paraguayans and Italians.

On Friday, despite Jacquet's decisioo to leave striker Thierry Henry on the bench and start another defensive midfielder, Christian Karembeu, the French pushed forward from the start.

They had two good chances in the first six minutes, but Pagliuca deflected a tightly angled shot from Zidane and then pushed a fine shot from Emmanuel Petit over the crossbar. The best French chance came at the end of the first half when Youri Djorkaeff found himself alone in front of Pagliuca, his teammate at Inter Milan, hot shot wide.

There were many such reunions on the field Friday. During regulation, Zidane was marked hy Gianloca Pessotto, his teammate at Juventus of Turin, and in the first half, there would he a forceful collisioo between the French defender Marcel Desailly and his AC Milan teammate, Alessandro Costacurta.

In all, 11 of the 22 players on the French roster have played or are still playing in Italy, and it is clear that the likes of Desailly, Lilian Thuram and the French captain, Didier Deschamps, have learned in Italy. The French no longer play like the "Brazilians of Europe," as Platini's generation was duhbed. They defend superbly, and on Friday they won most of the duels against the Italians.

But as time dragged on, the Italians, who have loog made a habit of winning ugly, began to re-establish themselves, and near the end of the first period of overtime, they had an excellent chance to make this huge stadium suddenly quiet. But the volleyed shot of Roberto Baggio, who had replaced an ineffective Alessandro Del Piero in the 67th minute, would fly wide left of the goal, and the crowd roared on.

France had not lost to Italy in 20 years — oot since the 1978 World Cup in Argentina.

"It seems to me that based on the whole of the match, we deserved to get through," Jacquet said. "Penalty kicks are a matter of sang-froid, and we kept ours. Once again, the best team won."

In Shadow of Stade, France's Hidden Face

Algerian Immigrants, Priced Out, Have Hero in Zinedine Zidane

By Rob Hughes
International Herald Tribune

PARIS — Between the Periphique — the highway that encircles Paris — and the new Stade de France, there are a dozen Algerian restaurants, cafés and bars. In each, you find followers of Zinedine Zidane, the French-Algerian hero of two nations. But no one knows any Algerian who had a ticket for the stadium where Zidane returned to the French team on Friday after a two game suspension.

"All of us are like Zidane — before he had money," said Khedidja on the morning of the match against Italy. Be-

VANTAGE POINT

hind the counter of her café in Avenue du President Wilson, this woman who left Algiers for France 24 years ago, described the meaning of Zidane to her life and her family.

"He is so close to our feelings, he represents us," she said. "From here we can hear the crowd, we watch only on the TV. But when Zizou is playing, I feel more French than the French."

Her little boy, Karim, 7, was preparing to watch Friday's game against Italy, the first he would view even on television since his idol was sent off.

"He shouted bad words at the referee!" said his mother of the moment Zidane had been red carded for stomping on a Saudi Arabian player, also in the Stade de France. "Karim's too young to know the politics of why Zidane did what he did, but he just wouldn't watch France again until Zidane came back to the field."

The politics? Wasn't it just petulance, an overpaid star kicking out in a fit of pique?

"No, oo, no!" exclaimed the mother. "I called my family, my mother and father in Algiers, and they told me there was a story in an Algerian newspaper that this was the revenge of Zinedine."

Revenge?

"Of course, we are Kabyle," she said, referring to Berber-speaking people from the mountains of Algeria, "we don't appreciate extremists, and the Saudis are fanatical Muslim, so it was revenge."

The menfolk around the bar nodded. Here in Saint-Denis live some 3,000 of the 3 millioo Algerian immigrants in France. More often than not it is a very basic existence, close to poverty. The Stade de France is at once a site that brings their famous cousin to their doorstep, and an abominable extravagance of French state spending that will cost each of them extra taxes for as far into the future as they can see.

On the walls of this café are pictures of home. There is a photograph of Khaled, an Algerian singer, and little persuasion is oeeded before a tape of his music is put into the recorder. There is another photograph of Omar Sharif, an Egyptian, and inevitably Zidane.

But pride does not pay the bills.

"There are 3 million people unemployed here," says a Frenchman finishing his meal in the café. "So why put so much money into a stadium, which will he used only for this World Cup and then becomes our liability?"

Stade de France, visible from their homes, cost $200 million, and the residents claim their tax rates will increase by 5 percent this year, next year and every year. God knows, they sigh, when we will ever get inside.

And then there is the boulevard, built to take the soccer followers to the stadium, and to whisk them away before they might stop in their cafés.

Step outside the restaurants of Avenue du President Wilson, and a huge Adidas poster, bigger than the houses, is filled simply with one face. Zinedine Zidane.

"This," says Khedidja, "helps us to accept the cost of everything. We can look out of the windows and see him, it is an enormous feeling of pride. The carton rouge, if he did it for what the paper said, isn't a disgrace. He has dignity, you know ... really!"

Her eyes are smiling. She senses that a stranger can see the pride, the state of belonging, can even feel with her the sensation that Zinedine Zidane's place in French society takes her closer to the heart of the matter.

She also knows that Michel Platini, the figurehead to this gigantic event, was a cult figure whose roots were brought out by this contest.

Platini's father, Aldo, is Italian. That is where he got his love of soccer. And here stood Italy between France and the fulfillment. The discussion in the café somehow moved to immigrants, to the movements of populations, and the role soccer has in that.

"There are 20 percent in this country who are non-French," says a youth at the bar.

"Yes," counters Khedidja, "and there are 100 percent of Americans once they got the Indians out. My son, Karim, if he plays football like Zidane or like Platini, he will be French born and bred."

Like Zidane, in fact. For while he and his brother Farid learned to kick a ball on the streets of La Castellane, a district of his hometown, Marseille, not unlike this area of Saint-Denis, all France was comforted by his comeback in blue this weekend.

A final shot in the café, like a penalty shot, ended the debate.

"Are there too many foreigners in Paris?"

"Yes," came the reply, "11 Italians too many!"

Rob Hughes is Sports Correspondent of The Times of London.

For Those Down on the Field, the Ties Very Often Run Deep

New York Times Service

Vantage Point / GEORGE VECSEY

PARIS — On televisioo or in the grandstand, the World Cup appears stridently nationalistic. When the English chant during the Argentine national anthem and the Argentines whistle during "God Save the Queen," it sounds like the guns of August of 1914 all over again.

Down oo the field, it is another story, and thank goodness for that. As the World Cup shifted into the quarterfinals Friday, it is helpful to remember that these players are members of the same latter-day guild, free to cross borders in search of the almighty lira, pound, franc, peseta, Deutschemark and yen.

When they kick each other and take anguished dives over some poltergeistian foul, they are not doing it for the fatherland or motherland, but rather because that is how they normally go about their husiness.

Some of these guys are even friends. Last Saturday night, after Ronaldo's Brazil defeated Ivan Zamorano's Chile, they embraced and disappeared down the tunnel together, perhaps to exchange shirts with identical No. 9 on them.

This was oot some instant friendship sprung from 90 minutes of soccer. These two men from Latin America spend most of the year in Milan, where they both play up front for Inter.

Eleven of the 22 French players have worked in Italy, and they graciously praise that country for their soccer edocation.

"In Italy, every Sunday is a championship, and every Wednesday is a European Cup," said Zinadine Zidane of France, who plays for Juventus of Turin.

"All the French players who played outside the country have brought something back with them," Zidane said. "Myself, I learned to win with Juventus. Today I have only one wish: to win with the national team of France."

Another French player who works in Italy is Youri Djorkaeff, the artistic shotmaker for Inter. On Friday, he ran into Giuseppe Bergomi, the quiet Zio Beppe (Uocle Joey) of Inter, who has been pressed into duty as the Italian sweeper because of injuries, and Gianluca Pagliuca, the winner of the Dean Martin Look-Alike Contest, who minds the goal for Inter and Italy.

"He's a good pal, hut on Friday he will become my enemy for 90 minutes," Pagliuca told L'Equipe, the French sports daily.

Pagliuca swung an ugly elbow at an opponent during the first round, while Djorkaeff and all attackers know how to deliver nasty little kicks to the head and body of a goalkeeper sprawling for the ball, but there are limits.

"I won't insult Gianluca that way I insulted Chilavert before the Paraguay game," Djorkaeff said, referring to the hurly goalie, Jose-Luis Chilavert. "That time, I wanted to create a spirit of revolt, to provoke him."

Actually, Djorkaeff has been provoking Pagliuca on the long rides to the old Italian city-states during the grueling Serie A season.

"I love to light up Gianluca, gently," Djorkaeff said. "I've played against Italy twice and scored twice, both when he was the keeper. He tells me I was lucky both times."

Many other players in this World Cup have labored in Spain or England. When Real Madrid won the Champions Cup in May, Predrag Mijatovic of Yugoslavia scored the winning goal and later came off for Davor Suker, who plays for Croatia. The history of their two nations is full of grief, but Mijatovic and Suker are family friends.

Yogoslavia has been eliminated, and Suker made the penalty kick to beat Romania the other day.

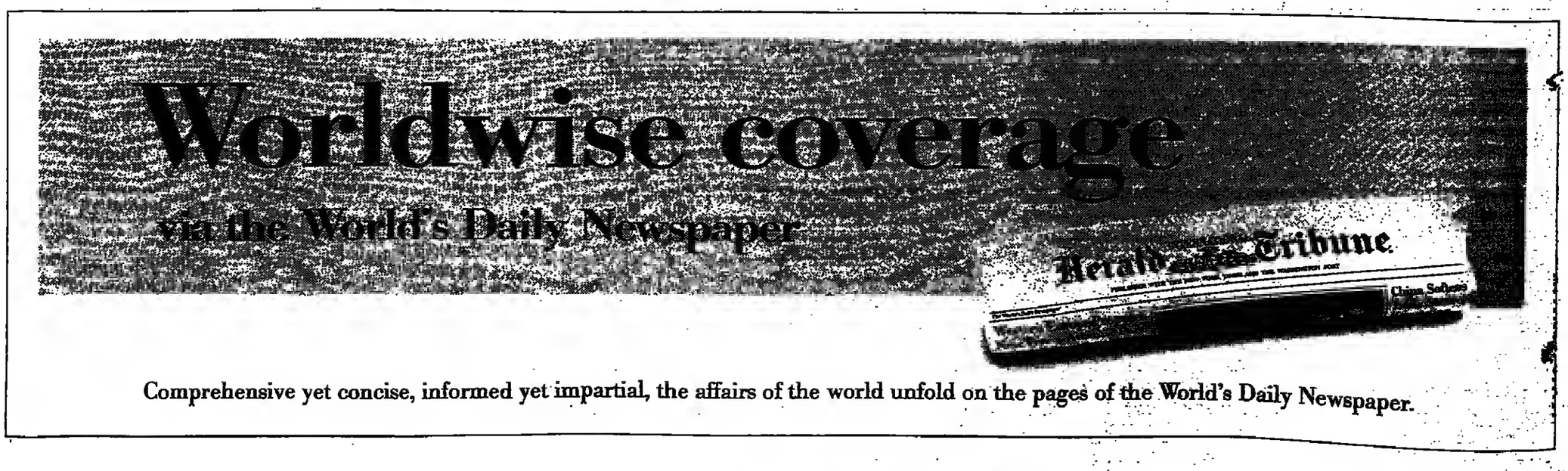
When Argentina plays the Netherlands in Marseille on Saturday, Javier Zanetti of Argentina may cross paths with Aron Winter, the savvy Dutch midfielder, his teammate from Inter.

When Peter Schmeichel, the towering Danish goalkeeper, was wielding his body as a weapon against Brazil on Friday, he already knew many of them from European games with Manchester United.

There is a history to this cross-pollenization. Michel Platini, the co-president of the French organizing committee for this World Cup, had six superb seasons playing for Juventus. Despite his family's roots in the Piedmont section of Italy, Platini did not speak Italian when he arrived.

"We played cards, we ate together, we visited each others' homes," Platini said this week. "If my socks didn't match my shirt, Clandio Gentile or Marco Tardelli would get on me about it."

In 1986, Platini scored a goal for France in a 2-0 quarterfinal victory over Italy in the World Cup in Mexico. A few weeks later, he and his Italian pals were replaying the game during Juventus road trips to Naples or Florence. If only the fans could bounce back so easily.



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WORLD CUP

After Cup, The Dutch Will Again Be Strangers

The Associated Press

MONTE CARLO — Yet again, the lure of bigger paychecks — and bigger audiences admiring the players' skills — is draining the Netherlands of the cream of its soccer talent.

With at least two transfers likely to be finalized before next season, only four of the 22-man Dutch World Cup squad are expected to play in the Netherlands come September.

The phenomenon is nothing new. The list of past Dutch exports is long and illustrious. Johan Cruyff, Marco van Basten, Ruud Gullit and Frank Rijkaard are just a few players who made their names and fortunes in foreign leagues.

"For top players, salaries in the Netherlands are about the same as in bigger countries, but the tax system is different," said Paul Onkenhout, a soccer writer with the Dutch daily De Volkskrant. "In Italy and England, players keep twice as much money after tax."

Of the current crop of Orangemen, just Edwin van der Sar, Frank de Boer, Wim Jonk and Andre Ooijer look certain to be playing in the Dutch Honor Division next season.

Jonk is nearing the end of his career; Ooijer is just beginning his, and nobody expects Van der Sar or De Boer to stick around too long.

Earlier this year, the De Boer twins suggested the introduction of tax breaks for top soccer players as a way of keeping them in the Netherlands. The government rejected the idea.

Now Ronald is almost certain to quit Ajax, and England's Arsenal is reportedly the most likely club to sign him.

Also likely to leave is Feyenoord Rotterdam's Giovanni van Bronckhorst, who is expected to sign with the Glasgow Rangers — coached by the Dutchman Dick Advocaat.

Frank de Boer wants out, too, but Ajax Amsterdam refuses to sell him yet. "I could go to three or four clubs immediately, but I have signed at Ajax and they won't let me go," De Boer said.

But it is not just money that takes players out of the Dutch League.

"They get bored," Onkenhout said. "It is no challenge playing against RKC Waalwijk, or Volendam," two teams often to be found near the basement of the Dutch Honor Division.

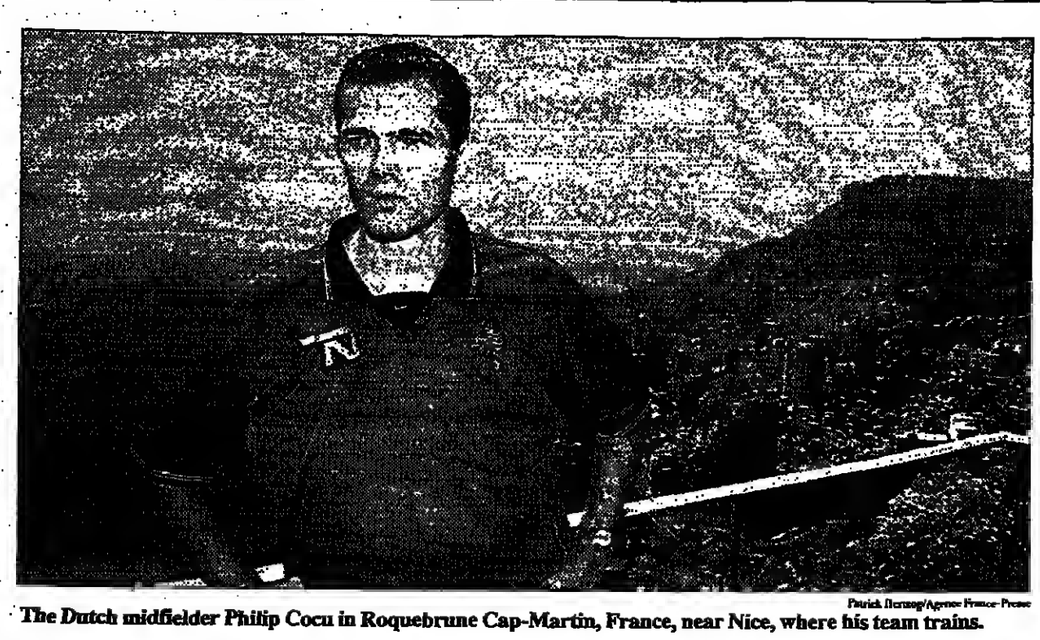
"The players want to perform on the biggest stage," he said. "Also, you do not improve as a footballer playing for years in the Netherlands."

De Boer and his Ajax teammates past and present almost always play in the Champions Cup. But the players say they crave week-in, week-out challenging opposition, and that is not available in the Netherlands.

As a result, they seek stronger opposition on foreign fields.

Guus Hiddink, the Dutch national trainer, who himself played in the United States and coached the Spanish club Valencia, says the change of scenery improves the players. He said his squad had significantly improved since two years ago because so many players were with foreign clubs.

"Now they have experienced different clubs, different cultures," he said. "That pays back into the national team."



Patrick Hertzog/Agence France-Presse

The Dutch midfielder Philip Cocu in Roquebrune Cap-Martin, France, near Nice, where his team trains.

Croats: First-Timers, but Hardly Rookies

By Amy Shipley
Washington Post Service

PARIS — No team sits more conspicuously among the World Cup quarterfinalists than Croatia, the team with the distinctive red-and-white chessboard jerseys and a World Cup history that extends no farther back than June.

In a tournament famous for rewarding experience and denying underdogs, Croatia has squeezed into a final eight that includes the World Cup heavyweights Italy, Argentina, Brazil and Germany — Croatia's opponent in Saturday's quarterfinal in Lyon.

Germany has advanced this far seven times dating back to 1938. The Germans own three World Cup championships. The Croatians have not even played three significant tournaments — let only won any — since gaining independence from Yugoslavia six years ago. For the Croats, every victory qualifies as a historic achievement.

Coached by a man with a passion for cigarettes, chocolate and superlatives, the Croatians have already advanced farther than any rookie World Cup nation in 24 years. The last team to reach the quarterfinals in its first World Cup appearance was East Germany in 1974 — which explains the elation after Tuesday's victory over Romania in the second round, led by Coach Miroslav Blazevic, who declared the team, "happy, happier, the happiest."

Davor Suker, the striker who scored the winning goal, called the victory "a new watershed in the history of Croatian football."

Yet this first-time team should not be equated with other World Cup rookies like Japan and South Korea, which bowed out in the first round and will be co-hosts of the World Cup in 2002. Croatian players starred on the Yugoslav national teams dating from 1948, when Yugoslavia won an Olympic silver medal with 11 Croats on the roster.

Both Robert Prosinecki, born in Germany to parents with mixed Croatian and Serbian background, and Robert Jarni played in the 1990 World Cup for Yugoslavia.

By the time Croatia gained its independence in 1992, it had missed the deadline to enter the qualifying tournament for the 1994 World Cup in the United States. International sanctions prevented Yugoslavia from competing in that same World Cup. "This is a dream come true for us," Jarni said about reaching the quarterfinals.

Prosinecki has said he received death threats from both Croatians and Serbs as he mulled over which nation to represent in international competition. Prosinecki picked Croatia. In its first major international appearance, the 1996 European Championship, Croatia advanced to the quarterfinals — where it lost, 2-1, to Germany.

Which brings us back to Saturday's match.

The Germans have shown plenty of stamina and spirit in this tournament, rallying to defeat Mexico in the Round-of-16 and to tie Yugoslavia in the first round. Led by the strikers Juergen Klinsmann and Oliver Bierhoff, the Germans are considered the favorites against Croatia — perhaps more on the basis of their experience than pure talent.

For Croatia, Suker is considered among the elite strikers in the world. Goran Vlaovic, a forward whose soccer career was once jeopardized by a major brain operation, has lined up next to him because of the absence of the star forward Alen Boksic.

Zvonimar Boban, the temperamental captain who reportedly once punched a policeman during a riot after a soccer game, brings a strong presence to the midfield. Jarni offers speed on the flank.

The Croatians' talent is unquestioned. But they played inconsistently in the qualifying tournament before the World Cup, finishing second to Denmark and needed playoff games against Ukraine to advance.

And the Croatians landed in arguably the weakest World Cup group, paired with Argentina, Japan and Jamaica. The Croats won their matches against Japan and Jamaica — as expected — but lost to Argentina.

In the match against Romania, Croatia passed its first true test. Now, just as in the European Championship in 1996, Germany stands in the way.

"Let us not forget that Germany is a friend of Croatia," Blazevic said. "As everyone knows, there is nothing sweeter than beating a friend."

A Dutch-Argentine Replay of '78 Final

Compiled by Our Staff From Dispatches

Argentina vs. Netherlands, 4:30 P.M., Marseille In a repeat of the 1978 final, the Netherlands faces Argentina, this time with a place in the World Cup's last four at stake.

Argentina won the 1978 final in Buenos Aires, 3-1, after extra time for its first Cup championship, went on to win another title in 1986 and made the final again in 1990. The Dutch haven't even made the semifinals since.

Daniel Passarella, the Argentine coach, is likely to make at least one change to his defense. Roberto Sensini, a fullback who missed Argentina's last two matches with a pulled muscle, is expected to play.

Passarella's training sessions suggest Abel Balbo, a striker with Italy's Roma, will start instead of Valencia's Clandio Lopez.

The Netherlands will most likely be missing Michael Reiziger, a right back who has a bruised foot. If Reiziger is not fit, Guus Hiddink, the Dutch coach, will probably start the midfielder Aron Winter in his place.

Germany vs. Croatia, Lyon, 9 P.M. Croatia has not beaten Germany in four attempts. It lost, 2-1, to Germany in a Euro match marked, the Croatians say, by many contentious refereeing decisions.

"They beat us at Euro 96 with the help of the referee, and we've been waiting for this chance for two years," said Igor Stimac, a Croatian defender.

Germany, a three-time World Cup champion, may have the veteran defender Juergen Kohler available. Kohler, 32, trained after missing the second-round victory over Mexico with a calf strain.

The emerging midfield star Jens Jeremies may replace the center half Thomas Helmer. Jeremies started and was one of Germany's best players in the opening victory over the United States. But the 24-year-old lost his place after a less confident performance in the 2-2 draw against Yugoslavia. An alternative to Jeremies would be the veteran Olaf Thon, who has lost his place on defense to Lothar Matthaus. *(AFP, AP)*

For U.S., Sad Showing Won't Stunt the Game

Future Hopes May Reside in Familiar Face

By Ian Thomsen
International Herald Tribune

BOSTON — Last week after a World Cup game in Marseille, a French teenager tried to convince me that America had "no business" trying to play "football" — baseball yes, basketball absolutely, but soccer never. No doubt he was speaking for the majority of soccer supporters in Europe.

There is a feeling that this is their sport, and it's not for America to water it down, suburbanize it and make the weekend at the football ground a sanitized family outing. The larger world is

IN AMERICA

passionate and utterly sophisticated about soccer and, to many millions of people, America seems arrogant and ignorant to dare enter the World Cup as a footballing dilettante.

This is why the older American players were galled by their team's performance — effectively 32d among the 32 finalists — at the World Cup. These players had all experienced success with European clubs and they felt an evangelical sense of pride about their pioneering accomplishments on behalf of American soccer. To them, the play of this American team was a step backward because it submerged their individual achievements — it invited the world to think the worst of U.S. soccer again.

This week, I returned home from the World Cup and was surprised to find that the tournament is making news in America regardless of the American team. The matches are front-page news in the sports sections of the major papers and, for the first time, every game is being televised with English-language commentary. Fans are turning up at bars and throwing parties to watch the games — and they aren't just ethnic fans who feel shut out by America's parochial baseball and basketball leagues. I know some hard-core Red Sox fans who have been calling in sick in order to stay home and watch the Germans or Brazil on TV in the afternoons.

The U.S. results aren't going to prevent the sport from continuing to grow in America.

This U.S. team was overmatched in its grouping with Germany, Yugoslavia and Iran. Over the last four decades, the United States has played in 10 World Cup matches and scored five goals. Its only World Cup victory came in 1994, in its home stadium in Los Angeles, against a Colombian team that received highly credible death threats by fax on the day of the game and that supplied the Americans with an own-goal.

On one point, the elder American players had a right to be angry this year. Coach Steve Sampson naively chose a relatively young and inexperienced team that did not fairly represent the hard-fought improvements won by the likes of Alexi Lalas, Eric Wynalda, Tab Ramos, Marcelo Balboa and others.

The coach failed to understand — failed to respect — the fighting spirit of these pioneers. When Sampson released John Harkes, the 31-year-old team captain, he did so believing that he could replace Harkes with a more talented and less troublesome player. But Sampson failed to replace the presence of Harkes — to fight, to contest every 50-50 ball, to tackle hard and to energize his teammates to do likewise.

In the end, Sampson never quite replaced Harkes and his benched peers, who for the last decade have been the inspirational engine of U.S. soccer. In their absence this American team was soft. It might have been different if Sampson had realized that the Americans couldn't compete with true footballing nations on the sole basis of talent. He should have sacrificed talent at a couple of positions in order to instill his team with more tenacity and fight.

All of this is just an opinion. In truth, it is irrelevant. What matters most is what Sampson thinks of all of this.

SAMPSON resigned as the U.S. coach on Monday and later talked about coaching in Mexico or a Central American country. Let's hope he does. He is only 41. He should go far away where he won't have to defend his policies in this World Cup. He can take whatever lessons he feels he has learned from this experience and apply them in other environments. He can grow.

In the meantime, the U.S. Soccer Federation will continue to hire other coaches. The foreign coaches will probably never quite understand the singularity of American athletes and therefore will fail.

And then, 10 to 12 years from now, I hope that Sampson will return. He can become the first great American soccer coach — provided he is harsh and honest with himself in learning from the last few months. This tournament proved that the culture of American soccer runs no deeper than the experiences of each player. In real soccer countries, the players share similar footballing backgrounds. In America, it's not that simple. Remove Lalas or Ramos from the team and you remove part of the culture.

Among U.S. coaches, the culture is especially shallow. None of the coaches raised in the parochial American collegiate system can possibly understand how to beat the rest of the world at their own game. The one exception is Sampson. He was meant to fail this time. What matters is how he applies this experience in the future. The best hopes of U.S. soccer reside in him.

Ian Thomsen is a senior writer for Sports Illustrated magazine.

World Cup Results

QUARTERFINALS

JULY 3, IN ST. DENIS
France 0, Italy 0
France won 4-3 on penalty shootout.

JULY 3, IN NANTES
A—Brazil vs. Denmark

JULY 4, IN MARSEILLE
C—Netherlands vs. Argentina

JULY 4, IN LYON
D—Germany vs. Croatia

SEMIFINALS

JULY 7, IN MARSEILLE
Winner A vs. Winner C

JULY 8, IN ST. DENIS
France vs. Winner D

THIRD PLACE

JULY 11, IN PARIS
Losing semifinalists

FINAL

JULY 12, IN ST. DENIS

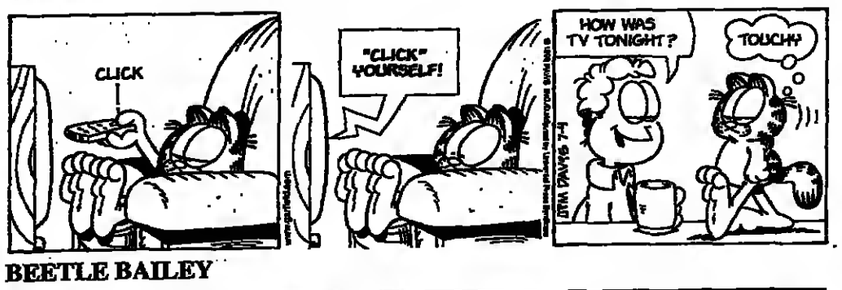
When matches are drawn after 90 minutes, teams start to play two 15-minute periods of extra time. Play now stops immediately when one team scores in extra-time — a "golden goal" for the winner, sudden death for the loser. If no goal is scored in the 30 minutes, the match is decided by a penalty shoot-out.

DENNIS THE MENACE

PEANUTS

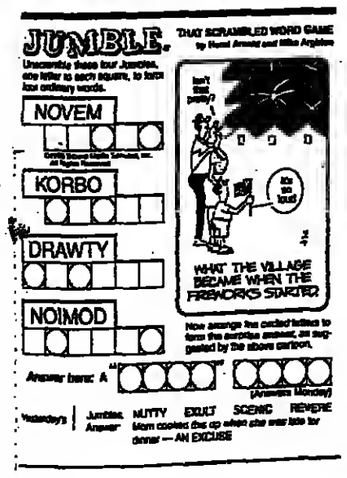
CALVIN AND HOBBES

GARFIELD



WIZARD of ID

JUMBLE



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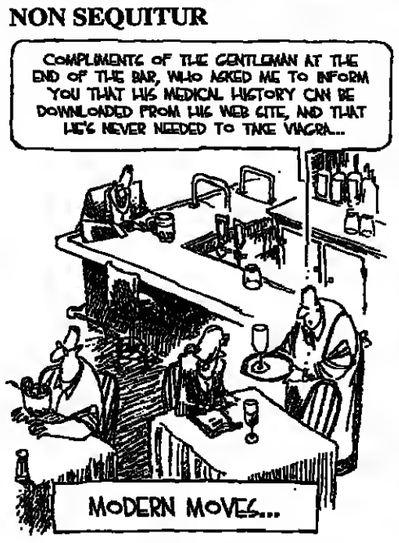

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DAVE BARRY

When Icons Go Postal

MIAMI — If you asked me to name the three scariest threats facing the human race, I'd give the same answer that most people would: nuclear war, global warming and Windows. So I was happy to learn that the federal government has decided to protect me from Microsoft.

Sometimes, when we face a really huge threat, we need the government to protect us. This idea was dramatically dramatized in the recent movie "Deep Impact," which you might have missed because it was in theaters for only about 15 minutes before spontaneously mutating into rental videocassettes. The plot is that the astronomy community — which I sometimes wish would just leave us alone — announces that a comet is hurtling through space on a course that will cause it to smash into the Earth right before the end of the movie and destroy all life on the planet, which consists primarily of actress Tea Leoni.

Our nation's leaders, recognizing that the comet is (1) the greatest danger the human race has ever faced, and (2) unlikely to make large campaign contributions, decide to destroy it by launching a rocket containing Robert Duvall. This tactic always worked for Marlon Brando in "The Godfather," but it seems to have failed this time, and when the world appears to be doomed, U.S. President Morgan Freeman, conveying sincerity by means of eye bags the size of catchers' mitts, announces that the government has a plan to save 2 million people who have been determined, by totally objective means, to be worthy of survival, including: top government officials, doctors, relatives of top government officials, movie extras, scientists and Monica Lewinsky. The plan is that these people will spend two years in a cave in Missouri, along with precious artifacts of American culture and, presumably, a huge quantity of deodorant.

Name the three scariest threats facing the human race.

But just when all appears to be lost, Robert Duvall manages to destroy most of the comet. All that's left is a small piece that falls harmlessly into the Atlantic Ocean, after which a computer-generated wave destroys New York and Washington. So it's a happy ending after all.

But my point is that when we are faced with a threat that we cannot handle ourselves, we depend on our government to protect us. And that's exactly what is happening right now, as the antitrust division of the Justice Department takes on a huge and arrogant monopoly; a monopoly that, by totally dominating its market and ruthlessly eliminating competitors, has left us, the consumers, with no choice but to buy its products and pay whatever inflated price it demands: the U.S. Postal Service.

No, sorry. The federal government wouldn't dare take on the Postal Service, which is heavily armed and recently tested a thermonuclear device. So instead the government is going after software giant Microsoft (motto: "We Have Worked Out All the Buggs").

Microsoft's No. 1 product is Windows, which now comes automatically installed on every computer in the world and many kitchen appliances. Technically, Windows is an "operating system," which means that it supplies your computer with the basic commands that it needs to suddenly, with no warning whatsoever, stop operating. I speak from experience here. Many a time I have spent hours writing a serious and thoughtful column on an important issue, only to have Windows get into a snit and call a general computer strike that erases all my work moments before deadline, leaving me with no choice but to bang out a highly inaccurate column such as this one.

Microsoft can be very insistent about this kind of thing.

The big dispute between the government and Microsoft concerns the Internet "browser," which is the piece of software that puts a message on your computer screen informing you that the Internet is currently busy and you should try again later. As you can imagine, the potential market for this service is huge, so Microsoft would like you to use its browser, and not somebody else's. Microsoft can be very insistent about this kind of thing. On my current computer, Windows has created a little Earth-shaped icon on the screen, and if I click it, it tries to get me to sign up for something called the Microsoft Network. The bell of it is, Windows will NOT let me get rid of this icon. I've tried everything, including scrubbing the screen with harsh abrasive cleansers.

So I think the Justice Department should spend however many hundreds of millions of dollars it takes to figure out a way to get this thing off my screen. I also want Janet Reno to appoint somebody — I'm thinking Kenneth Starr — to look into the very real possibility that Windows is cheating at solitaire. Above all, I think the government needs to immediately start constructing caves in Missouri, in case the Postal Service goes postal.

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A Quiet Town Turns Mecca for Diana Pilgrims

By Sarah Lyall
New York Times Service

GREAT BRINGTON, England — If there were any dissenters here who found it all a bit much — the rush of cars on once quiet country roads, the $15 commemorative pillboxes, the fresh expressions of grief that made it seem almost as if Diana, Princess of Wales, died last week instead of last August — they were mostly keeping quiet.

"I don't want to talk to you, and I don't want to give my opinion," said one woman, answering the door at her cottage not far from the gates of Althorp, Diana's childhood home. She did agree to sell a jar of homemade honey, though, for £1.50 (about $2.50). "You should have seen the crowds yesterday. One person was very rude."

The crowds were bound, of course, for Althorp, where Diana's brother, Earl Spencer, opened a $5 million shrine (and a café and gift shop) to her memory on Tuesday. Until the end of August, members of the public who have paid $16 apiece and ordered their tickets in advance will be allowed to tour the earl's new Diana museum, which rehearses in vivid, sobering detail the now familiar stages of her brief life. (If you haven't bought a ticket already, too bad: They're already sold out for the summer.)

There is an exhibit devoted to Diana's childhood, with grainy black-and-white home movies of Diana at a tea party, Diana on a swing, Diana on her tricycle. There is an exhibit that shows her as the devoted mother of two sons, one the heir to the throne of England. Her larger-than-life wedding dress, all poofy silk and satin frills, is on display here, as are a selection of other outfits. There is also a Christmas card from Prince Charles, a toy rabbit with an ear missing, and some of the books of condolence signed by members of the public when she died. And, at an outdoor clearing, pilgrims can sit quietly and look out across the lake at the small island that holds Diana's grave.

Jonathan Player/The New York Times

"I'm embarrassed to be here," said Lindy Jamieson, who accompanied a friend to Althorp.

People who saw the exhibit Thursday pronounced it moving and surprisingly untacky. "It's very tasteful and very aesthetic," said Steven Phillips, an importer and exporter of English and American collectibles from Dallas, who said he was shifting his professional attention to Diana memorabilia.

Most people seemed to approve of the earl and all his works. But here in what has become the epicenter of the Diana grief industry, there were tiny hints of discord. One couple said they were shocked to see that the hundreds of bouquets and notes left Tuesday by the first crowd of visitors had apparently been dumped in a bin that looked uncomfortably like a huge trash receptacle.

Lindy Jamieson said she was shocked, period. "I'm embarrassed to be here," said Jamieson, a secretary who had come, she said, only because a friend had begged for her company and given her a free ticket. "I know Earl Spencer keeps saying, 'Fancy making money out of her death,' but of course he's done it to make money."

Meanwhile, a serious gender divide seemed to be developing in and around the Althorp parking lot, a muddy field. By far the biggest number of the visitors were women, old and young, in groups of two, three and four. The relatively few men accompanying them seemed to be drastically less fervent about the whole thing.

"I only came to prevent a big fight," said Brent Abbott, a U.S. Air Force production superintendent stationed in Germany, who pronounced the post-Diana phenomenon "a woman thing" that was experienced not by him but by his wife, Belinda.

How could he explain it? "I guess because she's such a strong woman and women look up to her," he said. Mrs. Abbott had herded not just her husband but their two children out of their base in Germany and brought them all the way to Althorp.

Outside the post office, Wilf Daniels, a 68-year-old resident of Chelmsford, tried to account for his own presence in Althorp. "When you think of it, really, women followed Diana when she was alive," he said, "and most men are much more interested in their own wives than in other women."

Simon Walton, a service engineer from West Yorkshire, was carrying a £70 Althorp trinket box bought by his wife, Samantha. Mrs. Walton, he said, cried when she saw Diana's grave, but he most certainly did not. "Look, I was the chauffeur," he said. "I came to see the house and grounds."

If many men were having a hard time dealing with all these feelings, how was Great Brington itself coping? It was hard to tell.

Many of the residents of the village, once a farming community that is now inhabited mostly by professionals, were at work. Others, at the sight of reporters, rushed into their houses and pulled their curtains across the windows.

But Martin Whiley, the village postmaster, who has emerged as a neighborhood spokesman and who is enjoying a rich trade in special-edition Diana stamps and postcards, said that Great Brington had moved past its earlier fears about the Diana-seeking crowds.

For one thing, with several roads around the village now closed, most people were parking in the designated Althorp parking lot rather than on Great Brington's streets, he said. Nobody seemed to be wandering around looking for a public bathroom, perhaps the village's greatest fear (it doesn't have public bathrooms). And — softened, perhaps, by the earl's gracious one-time-only gesture in waiving the Althorp entrance fee for hundreds of his neighbors last week — the residents generally feel positive toward him, Whiley said.

Of course, the earl owns about 30 percent of Great Brington, including the post office.

"Some people feel strongly about Diana, and some don't really care," Whiley said. "But there it is. We're here, and we have to put up with it."

Brad Rickerby/Reuters

FLEEING FROM FANS — Victoria Adams (Posh Spice) and her fiancé, the English soccer player David Beckham, outside their New York hotel after the Spice Girls' appearance on the Letterman show.

PEOPLE

THE U.S. representative **Barney Frank** and **Herb Moses** have split up after 10 years of living together. The first gay couple to function openly in political circles, Frank and Moses are credited with helping to open the eyes of Congress and the public to the equal treatment of gays and lesbians. Frank, 58, declined to say why the relationship was over. The split was amicable, the Massachusetts Democrat said in The Boston Globe, though "recently things changed some." Moses, 41, recently moved out of their home and left an executive position at the Federal National Mortgage Association to open a pottery studio. A staunch defender of gay rights, Frank used his position in the House of Representatives to improve the status of gay and lesbian couples. Moses was the first partner of an openly gay member of Congress to receive spousal access privileges in the Capitol.

□

"Whistle Down the Wind," **Andrew Lloyd Webber**'s first new musical in five years, has opened at the Aldwych in London to mixed reviews 18 months after he pulled the plug on a different version of it that was heading to Broadway. The show marks Lloyd Webber's first collaboration with the Grammy-winning American songwriter **Jim Steinman**, who worked on the lyrics. The central figure of the musical, which takes place in Louisiana in 1959, is a convict on the run whom several children take to be Jesus Christ.

□

The French actor **Gerard Depardieu** has been ordered to stand trial on drunken driving charges following a motorcycle accident in May. He could face up to two years in prison, a heavy fine and a ban from driving for up to five years. Depardieu suffered a fractured leg and a damaged knee after he slid off his motorcycle while taking a curve in a village west of Paris. The police said later that the actor had a blood-alcohol content of 2.5 grams per liter of blood, the equivalent of about 12 glasses of wine and five times the French legal limit.

□

The former model **Christie Brinkley** gave birth to a baby girl, her publicist said. **Sailor Lee**'s proud papa is the architect **Peter Cook**. Brinkley, 43, has a 3-year-old son, **Jack**, and a daughter, **Alexa Ray**, 12, from her two previous marriages.

□

Francis Ford Coppola won a $20 million judgment from a jury that decided Warner Bros. stole his screenplay idea for a live-action version of "Pinocchio." Coppola testified tearfully during the trial that the studio thwarted his lifelong dream of making a feature-length "Pinocchio." He said Warner Bros. threatened to sue any studio that tried to produce the movie.

□

Antonio Banderas is directing his wife, **Melanie Griffith**, in "Crazy in Alabama," a bizarre black comedy where she plays a woman carrying around the head of her decapitated, abusive husband. "You're not a director when you start a movie, you're a director when you finish it," Banderas said. "And after that I will have to wait several months to see if I'm a good director or a bad director."

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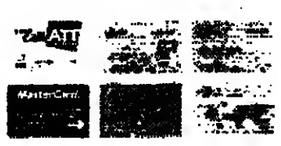

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